SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
AND INDEPENDENT AUDITORS' REPORT

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

INDEPENDENT AUDITORS' REPORT February 24, 2016

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

Scope of audit

We have audited the accompanying consolidated balance sheet of Savola Group Company (the "Company") and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and the consolidated statements of income, cash flows and changes in equity for the year then ended, and the notes from 1 to 35 which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Unqualified opinion

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

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2015 and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and

- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

PricewaterhouseCoopers

By:______________________
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SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated balance sheet
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at December 31, 2015	2014
Assets			
Current assets			
Cash and cash equivalents	6	**2,067,068**	1,634,512
Accounts receivable	7	**914,509**	1,002,035
Inventories	8	**4,840,306**	4,413,108
Prepayments and other receivables	9	**1,539,328**	1,852,225
Assets classified as held for sale	4	**45,035**	1,335,837
		9,406,246	10,237,717
Non-current assets			
Long term receivables	10	**177,207**	322,096
Investments	11	**8,430,233**	7,920,716
Property, plant and equipment	12	**7,906,703**	6,755,516
Intangible assets	13	**1,113,720**	1,165,581
		17,627,863	16,163,909
Total assets		**27,034,109**	26,401,626
Liabilities			
Current liabilities			
Short-term borrowings	14	**4,432,822**	3,964,079
Current maturity of long-term borrowings	15	**528,785**	646,204
Accounts payable	16	**3,126,384**	2,720,891
Accrued and other liabilities	17	**2,009,772**	2,072,656
Liabilities associated with assets as held for sale	4	**94,233**	757,660
		10,191,996	10,161,490
Non-current liabilities			
Long-term borrowings	15	**4,579,096**	4,602,713
Deferred tax liability	17	**102,932**	80,205
Deferred gain	18	**175,314**	192,410
Long-term payables	19	**66,485**	64,588
Employee termination benefits	20	**412,220**	372,168
		5,336,047	5,312,084
Total liabilities		**15,528,043**	15,473,574
Equity			
Equity attributable to shareholders' of the parent company:			
Share capital	22	**5,339,807**	5,339,807
Share premium		**342,974**	342,974
Statutory reserve	23	**1,774,085**	1,594,910
General reserve		**4,000**	4,000
Retained earnings		**4,275,841**	3,733,430
Fair value reserve	24	**3,784**	(17,465)
Effect of transactions with non-controlling interest without change in control		**(171,375)**	(229,962)
Currency translation differences		**(1,019,087)**	(801,528)
Total shareholders' equity		**10,550,029**	9,966,166
Non-controlling interest		**956,037**	961,886
Total equity		**11,506,066**	10,928,052
Total liabilities and equity		**27,034,109**	26,401,626
Contingencies and commitments	35		

The notes on pages from 8 to 38 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated income statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31, 2015	2014
Revenues	21	**26,425,416**	26,587,842
Cost of sales	21	**(21,332,207)**	(21,724,122)
Gross profit		**5,093,209**	4,863,720
Share in net income of associates and dividend income of available-for-sale investments - net	11	**796,114**	977,588
Total operating income		**5,889,323**	5,841,308
Operating (expenses) / income			
Selling and marketing	21, 26	**(3,458,547)**	(2,723,492)
General and administrative	21, 27	**(605,153)**	(663,128)
Total operating expenses		**(4,063,700)**	(3,386,620)
Income from operations		**1,825,623**	2,454,688
Other income (expenses)			
Insurance claim	25	**126,500**	-
Gain on disposal of investments	28	**265,152**	209,700
Gain on disposal of land		**38,820**	-
Impairment loss	29	**-**	(67,400)
Financial charges - net	30	**(207,289)**	(236,553)
Income before zakat and foreign income tax		**2,048,806**	2,360,435
Zakat and foreign income tax	17	**(137,702)**	(180,426)
Income from continuing operations		**1,911,104**	2,180,009
Income from discontinued operations	4.2	**-**	50,285
Net income for the year		**1,911,104**	2,230,294
Net income attributable to:			
• Shareholders of the parent company		**1,791,747**	2,072,319
• Non-controlling interest's share of year's net income in subsidiaries		**119,357**	157,975
Net income for the year		**1,911,104**	2,230,294
Earnings per share (in Saudi Riyals):	33		
• Income from operations		**3.42**	4.60
• Net income for the year attributable to the shareholders of the parent company		**3.36**	3.88
Number of shares outstanding (in thousand)		**533,981**	533,981

The notes on pages from 8 to 38 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated cash flow statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Year ended December 31,	
	2015	**2014**
Cash flow from operating activities		
Net income for the year	**1,911,104**	2,230,294
Adjustments for non-cash items		
Depreciation, amortization, impairment and amortization of deferred gain	**623,775**	627,547
Share in net income of associates and dividend income	**(794,946)**	(930,153)
Financial charges - net	**207,289**	236,553
Gain from disposal of investments	**(265,152)**	(209,700)
Other operating income	**(126,500)**	-
Gain on sale of property, plant and equipment	**(38,820)**	(7,193)
Changes in working capital		
Accounts receivable	**63,280**	(197,823)
Inventories	**(610,429)**	(302,996)
Prepayments and other receivables	**623,654**	74,658
Accounts payable	**384,369**	193,685
Accrued and other liabilities	**97,019**	346,038
Employee termination benefits	**44,634**	60,611
Net cash generated from operating activities	**2,119,277**	2,121,521
Cash flow from investing activities		
Dividends received	**290,476**	354,939
Proceeds from sale of investments	**984,911**	322,509
Change in long term receivables	**144,889**	4,324
Proceeds from disposal of property, plant and equipment	**134,756**	147,691
Addition to intangible assets	**(5,162)**	(27,614)
Purchase of property, plant and equipment	**(2,076,605)**	(1,818,881)
Net cash utilized in investing activities	**(526,735)**	(1,017,032)
Cash flow from financing activities		
Net change in short-term borrowings	**585,987**	842,770
Additions to long-term borrowings - net	**(89,799)**	437,588
Net change in restricted deposits financing	**(28,616)**	(20,443)
Changes in non-controlling interest	**(209,747)**	(524,889)
Financial charges - net	**(207,289)**	(236,553)
Dividends paid	**(1,051,109)**	(1,192,049)
Net cash utilized in financing activities	**(1,000,573)**	(693,576)

(Continued)

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated cash flow statement (continued)
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Year ended December 31,	
	Note	**2015**	**2014**
Net change in cash and cash equivalents		**591,969**	410,913
Effect of currency translation on cash and cash equivalents		**(159,413)**	(41,732)
Cash and cash equivalents at beginning of year		**1,634,512**	1,363,724
Cash and cash equivalents at end of year		**2,067,068**	1,732,905
Less: cash and cash equivalents classified as held for sale		**-**	(45,600)
Less: cash related to subsidiary disposed		**-**	(52,793)
Cash and cash equivalents at end of year from continuing operations		**2,067,068**	1,634,512
Supplemental schedule of non-cash information			
Directors' remuneration	21.3	**2,200**	2,200
Fair value reserves	24	**21,249**	(149,457)
Currency translation differences		**217,559**	(146,149)
Effect of transaction with non controlling interest without change in control	1	**58,587**	(257,867)

The notes on pages from 8 to 38 form an integral part of these consolidated financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended December 31, 2015
Consolidated statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Share premium	Statutory reserve	General Reserve	Retained earnings	Fair value reserve	Effect of transaction with non-controlling interest without change in control	Currency translation differences	Total shareholders' equity	Non-controlling interest	Total equity
January 1, 2015		**5,339,807**	**342,974**	**1,594,910**	**4,000**	**3,733,430**	**(17,465)**	**(229,962)**	**(801,528)**	**9,966,166**	**961,886**	**10,928,052**
Net income for the year		-	-	-	-	1,791,747	-	-	-	1,791,747	119,357	**1,911,104**
Transfer to statutory reserve	23	-	-	179,175	-	(179,175)	-	-	-	-	-	**-**
Dividends	34	-	-	-	-	(1,067,961)	-	-	-	(1,067,961)	-	**(1,067,961)**
Fair value reserve adjustment	24	-	-	-	-	-	21,249	-	-	21,249	-	**21,249**
Currency translation differences		-	-	-	-	-	-	-	(217,559)	(217,559)	-	**(217,559)**
Directors remuneration	21	-	-	-	-	(2,200)	-	-	-	(2,200)	-	**(2,200)**
Transaction with non-controlling interest without change in control	1	-	-	-	-	-	-	58,587	-	58,587	-	**58,587**
Other changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(125,206)	**(125,206)**
December 31, 2015		**5,339,807**	**342,974**	**1,774,085**	**4,000**	**4,275,841**	**3,784**	**(171,375)**	**(1,019,087)**	**10,550,029**	**956,037**	**11,506,066**
January 1, 2014		**5,339,807**	**342,974**	**1,387,678**	**4,000**	**3,072,000**	**131,992**	**27,905**	**(655,379)**	**9,650,977**	**1,240,568**	**10,891,545**
Net income for the year		-	-	-	-	2,072,319	-	-	-	2,072,319	157,975	**2,230,294**
Transfer to statutory Reserve	23	-	-	207,232		(207,232)		-	-	-	-	**-**
Dividends	34	-	-	-	-	(1,201,457)	-	-	-	(1,201,457)	-	**(1,201,457)**
Fair value reserve adjustment	24	-	-	-	-	-	(149,457)	-	-	(149,457)	-	**(149,457)**
Currency translation differences		-	-	-	-	-	-	-	(146,149)	(146,149)	-	**(146,149)**
Directors' remuneration	21	-	-	-	-	(2,200)	-	-	-	(2,200)	-	**(2,200)**
Transaction with non-controlling interest without change in control		-	-	-	-	-	-	(257,867)	-	(257,867)	-	**(257,867)**
Other changes in non-controlling interests		-	-	-	-	-	-	-	-	-	(436,657)	**(436,657)**
December 31, 2014		**5,339,807**	**342,974**	**1,594,910**	**4,000**	**3,733,430**	**(17,465)**	**(229,962)**	**(801,528)**	**9,966,166**	**961,886**	**10,928,052**

The notes on pages 8 to 38 form an integral part of these consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General information

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

The Company is a Saudi Joint Stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030019708 issued in Jeddah on Rajab 21, 1399H (corresponding to September 16, 1979). The Company was formed under the Regulations for Companies in the Kingdom of Saudi Arabia per Royal Decree number M/21 dated Rabi-ul-Awal 29, 1398H (March 9, 1978). The registered address of the Company is Savola Tower, The Headquarter Business Park, Prince Faisal Bin Fahad Street, Jeddah 23511-7333, Kingdom of Saudi Arabia.

The accompanying consolidated financial statements include the accounts of the Company and its local and foreign subsidiaries.

These consolidated financial statements were authorized for issue by the Company's Board of Directors on February 24, 2016.

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

(a) Direct subsidiaries of the Company

(i) Operating subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) at December 31 2015	2014
Savola Foods Company ("SFC")	Saudi Arabia	Foods	**100**	100
Panda Retail Company ("Panda")	Saudi Arabia	Retail	**91**	92
Savola Packaging Systems Limited ("SPS")	Saudi Arabia	Manufacturing of Plastic packaging products	**-**	100
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	Real Estate	**80**	80
United Sugar Company, Egypt ("USCE")*	Egypt	Manufacturing of Sugar	**19.32**	19.32
Giant Stores Trading Company ("Giant")*	Saudi Arabia	Retail	**10**	10
Savola Industrial Investment Company ("SIIC")*	Saudi Arabia	Holding company	**5**	5

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

Effective September 16, 2009, the Group's subsidiary, Panda acquired the operations of Saudi Geant Company Limited ("Geant"). In accordance with the share purchase agreement (the "agreement"), Geant is entitled to acquire 1% shareholding in Panda, starting 2013 for a maximum period of 3 years. Geant had exercised its right during 2013 and acquired 1% shareholding of Panda, which resulted in reduction in the ownership interest of the Group in Panda from 93% to 92%. However, Geant did not exercise its right to acquire 1% shareholding in Panda during 2014. During August, 2015, Geant had exercised its right of acquiring the final 1% ownership interest in Panda for a consideration of Saudi Riyals 52.2 million. As a result of this transaction, the Group has realized a capital gain of Saudi Riyals 25.8 million during the year ended December 31, 2015, which is recorded in the equity within "Effect of transaction with non-controlling interest without change in control". Accordingly, the ownership interest of the Group in Panda has reduced from 92% to 91% as at December 31, 2015. Further, during the year ended December 31, 2015 the share capital of Panda has been increased by Saudi Riyals 800 million by issuance of 80 million shares at Saudi Riyals 10 per share to its existing shareholders in the existing shareholder ratio.

(All amounts in Saudi Riyals thousands unless otherwise stated)

(ii) Dormant and Holding subsidiaries

Subsidiary name	**Country of incorporation**	**Principal business activity**	**Ownership interest (%) at December 31 2015**	**2014**
Kafazat Al Kawniah for Real Estate Limited	Saudi Arabia	Holding Company	**100**	100
Alwaqat Al Kawniah Limited	Saudi Arabia	Holding Company	**100**	100
Aalinah Al Kawniah Limited	Saudi Arabia	Holding Company	**100**	100
Abtkar Al Kawniah Limited	Saudi Arabia	Holding Company	**100**	100
Adeem Arabia Company Limited	Saudi Arabia	Holding Company	**80**	80
Madarek Investment Company	Jordan	Holding Company	**100**	100
Arabian Al Utur Holding Company for Commercial Investment	Saudi Arabia	Holding Company	**100**	100
Al Mojammat Al Mowahadah Real Estate Company	Saudi Arabia	Holding Company	**100**	100
Marasina International Real Estate Investment Limited.	Saudi Arabia	Holding Company	**100**	100
Asda'a International Real Estate Investment Limited	Saudi Arabia	Holding Company	**100**	100
Masa'ay International Real Estate Investment Limited	Saudi Arabia	Holding Company	**100**	100
Saraya International Real Estate Investment Limited	Saudi Arabia	Holding Company	**100**	100
Savola Trading International Limited	British Virgin Island ("BVI")	Dormant Company	**100**	100
United Properties Development Company	Saudi Arabia	Dormant Company	**100**	100
Kamin Al Sharq for Industrial Investments	Saudi Arabia	Dormant Company	**100**	100
Arabian Sadouk for Telecommunications Company	Saudi Arabia	Dormant Company	**100**	100
Al Maoun International Holding Company	Saudi Arabia	Dormant Company	**100**	100
Afia Foods Arabia	Saudi Arabia	Dormant Company	**100**	100
Al Mustabshiroun International for Real Estate Investment Company	Saudi Arabia	Dormant Company	**100**	100

(b) Subsidiaries controlled through SFC

Subsidiary name	**Country of incorporation**	**Principal business activity**	**Ownership interest (%) at December 31 2015**	**2014**
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of Edible oils	**95.19**	95.19
SIIC	Saudi Arabia	Holding Company	**95**	95
Savola Foods Emerging Markets Company Limited ("SFEM")	BVI	Holding Company	**95.43**	95.43
Savola Foods for Sugar Company ("SFSC")	Cayman Islands	Holding Company	**95**	95
El Maleka for Food Industries Company	Egypt	Manufacturing of Pasta	**100**	100
El Farasha for Food Industries Company	Egypt	Manufacturing of Pasta	**100**	100
Savola Foods Company International ("SFCI") Limited	UAE	Holding Company	**100**	100
International Foods Industries Company Limited ("IFI")*	Saudi Arabia	Manufacturing of Specialty fats	**75**	60
Alexandria Sugar Company Egypt ("ASCE")	Egypt	Manufacturing of Sugar	**19**	19
<u>SFCI</u>				
Modern Behtaam Royan Kaveh Company ("MBRK")	Iran	Food and confectionary	**100**	100
<u>SIIC</u>				
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of Sugar	**74.48**	74.48

(All amounts in Saudi Riyals thousands unless otherwise stated)

(b) Subsidiaries controlled through SFC (continued)

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31 2015	2014
USC				
USCE	Egypt	Manufacturing of Sugar	**56.75**	56.75
ASCE	Egypt	Manufacturing of Sugar	**62.13**	62.13
Beet Sugar Industries	Cayman Islands	Dormant Company	**100**	100
USCE				
ASCE	Egypt	Manufacturing of Sugar	**18.87**	18.87
ASCE				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	**100**	100
SFEM				
Savola Morocco Company	Morocco	Manufacturing of Edible oils	**100**	100
Savola Edible Oils (Sudan) Ltd.	Sudan	Manufacturing of Edible oils	**100**	100
AFIA International Company – Algeria	Algeria	Manufacturing of Edible oils	**100**	100

* During December 2015, SFC acquired additional 15% ownership interest in IFI after completing necessary legal formalities.

(c) Subsidiaries controlled through AIC

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31 2015	2014
Savola Behshahr Company (SBeC)	Iran	Holding Company	**90**	90
Malintra Holdings	Luxembourg	Holding Company	**100**	100
Savola Foods Limited ("SFL")	BVI	Holding Company	100	100
Afia International Company - Jordan	Jordan	Dormant Company	**97.4**	97.4
Inveskz Inc.	BVI	Holding Company	**90**	90
Afia Trading International	BVI	Trading Company	**100**	100
Savola Foods International	BVI	Dormant Company	**100**	100
KUGU Gida Yatum Ve Ticaret A.S ("KUGU")	Turkey	Holding Company	**100**	100
SBeC				
Behshahr Industrial Company ("BIC")	Iran	Manufacturing of Edible oils	**79.9**	79.9
Tolue Pakshe Aftab ("TPA") Company	Iran	Trading and Distribution	**100**	100
Savola Behshahr Sugar Company	Iran	Trading and Distribution	**100**	100
Notrika Golden Wheat Company("Nortika")*	Iran	Food and confectionary	**90**	-

(All amounts in Saudi Riyals thousands unless otherwise stated)

(c) Subsidiaries controlled through AIC (Continued)

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31 2015	2014
SFL				
Afia International Company, Egypt	Egypt	Manufacturing of Edible oils	**99.92**	99.92
Latimar International Limited	BVI	Dormant Company	**100**	100
Elington International Limited	BVI	Dormant Company	**100**	100
KUGU				
Yudum Gida Sanayi ve Ticaret A.S ("Yudum")	Turkey	Manufacturing of Edible oils	**100**	100

During September 2015, SBeC acquired 90% ownership interest in Notrika that is engaged in manufacturing of confectionery products.

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

(d) Subsidiaries controlled through Panda

Subsidiary name	Country of incorporation	Principal business activity	Subsidiary ownership interest (%) at December 31 2015	2014
Panda				
Giant	Saudi Arabia	Retail	**90**	90
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services & Maintenance	**100**	100
Panda International for Retail Trading	Egypt	Retail	**100**	100
Panda International Retail Trading	United Arab Emirates	Retail	**100**	100
Panda Bakeries LLC	Saudi Arabia	Bakery	**100**	-
Giant				
Lebanese Sweets and Bakeries ("LSB")	Saudi Arabia	Dormant Company	**95**	95

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

2.2 Critical accounting estimates and judgments

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

(a) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(b) Impairment of available for sale investments

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

(c) Provision for doubtful debts

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

(d) Provision for inventory obsolescence

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

(e) Useful lives of property, plant and equipment

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

2.3 Investments

(a) Subsidiaries

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

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

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

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

(b) Associates

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

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

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

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

(c) Investment in available-for sale investments

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

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

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

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

2.4 Segment reporting

(a) Business segment

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

(i) engaged in revenue producing activities;
(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) financial information is separately available.

(b) Geographical segment

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

2.5 Foreign currency translations

(a) Reporting currency

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

(b) Transactions and balances

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

(c) Group companies

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

(i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
(ii) income and expenses for each consolidated income statement are translated at average exchange rates; and
(iii) components of the equity accounts are translated at the exchange rates in effect at the dates of the related items originated.

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

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

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

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

(d) Hyperinflationary economies

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

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.

2.6 Cash and cash equivalents

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

2.7 Accounts receivable

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

2.8 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads. Inventories in transit are valued at cost. Stores and spares are valued at cost, less any provision for slow moving items.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.9 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation except construction work in progress which is carried at cost. Land is not depreciated. Depreciation is charged to the consolidated income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

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

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

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

2.10 Intangible assets

(i) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(ii) Other intangible assets with infinite useful life

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

(iii) Deferred charges

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

2.11 Impairment

(a) Tangibles and Intangible assets

At each fiscal year end, the Group reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Recoverable amounts are determined on the basis of value-in-use calculations. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognized in the consolidated income statement.

(b) Financial assets

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

(i) For assets carried at fair value, impairment is the difference between the carrying amount and fair value, less any impairment loss previously recognized in the consolidated income statement; and

(ii) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset.

(iii) For impairment of available for sale investments, the unrealized gain or loss previously reported in shareholders' equity is included in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the consolidated income statement. Impairment losses recognized on equity investments classified as available for sale and goodwill are not reversible.

2.12 Assets and liabilities classified as held for sale

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

Discontinued Operations

A discontinued operation is a component (cash generating unit) of an entity that either has been disposed of or is classified as held for sale and a) represents a major business line or geographical area of operations; b) is part of a single coordinated plan to dispose of a separate major business line or geographical area of operations; or c) is a subsidiary acquired exclusively with a view to resell.

The Group presents after zakat and tax results from discontinued operations as a single separate component of the consolidated income statement. Revenues, expenses, taxes, gains or losses on the measurement to fair value less costs to sell and cash flows are additionally disclosed.

2.13 Borrowings

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

2.14 Sukuk

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

2.15 Accounts payable and accruals

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

2.16 Provision

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

2.17 Zakat and taxes

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

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

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

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

2.18 Employee termination benefits

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

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

2.19 Revenues

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

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

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

2.20 Selling, marketing and general and administrative expenses

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

2.21 Dividends

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

2.22 Derivative financial instruments

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

The Group designates certain derivatives as either:

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 9.1. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated income statement, 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 recognised in the consolidated income statement within “cost of sales”. The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within ‘Finance income / charges - net’. Changes in the fair value of the hedge futures are recognised in the consolidated income statement within ‘Cost of Sales’.

(b) Cash flow hedge

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

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

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

2.23 Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term.

2.24 Insurance recoveries

Insurance recoveries are recognized as an asset when it is virtually certain that an inflow of economic benefits will arise to the Group with the corresponding impact to the consolidated income statement of the period in which the recoveries become virtually certain.

2.25 Reclassification

For better presentation, certain amounts relating to 2014 comparative consolidated financial statements have been reclassified to conform to 2015 presentation.

3 Financial instruments and risk management

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

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

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

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

3.1 Currency risk

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

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

3.2 Fair value and cash flow interest rate risks

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

3.3 Price risk

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

3.4 Credit risk

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

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

	2015	2014
Bank balances and short term deposits	**2,041,198**	1,595,569
Accounts receivable	**874,565**	937,869
Other current assets	**466,588**	672,014
Other long term assets	**177,207**	322,096
	3,559,558	3,527,548

3.5 Liquidity risk

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

As at December 31, 2015, the Group has unused bank financing facilities amounting to Saudi Riyals 3.5 billion (2014: Saudi Riyals 3.1 billion).

3.6 Fair value

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

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

During December 2014, the Group signed a sale purchase agreement with Takween Advanced Industries (a third party) for sale of its ownership interest in SPS, which represented the Group's plastic segment. The Group's management had classified the assets and liabilities of SPS, as held-for-sale at December 31, 2014. During the quarter ended March 31, 2015, all legal formalities for the sale of SPS were completed. Also, during 2010, as an outcome of review of its foods business pruning strategy, the Group decided to entrench its position in core markets and assessed exiting from certain overseas operations. Accordingly, parts of manufacturing facilities within the edible oil segment of the Group are also presented as 'held for sale'. Details of assets and liabilities held for sale at December 31, are as follows:

	2015	2014
Assets classified as held for sale, relating to		
- Plastics segment	**-**	1,298,916
- Foods segment	**45,035**	36,921
	45,035	1,335,837
Liabilities associated with assets held for sale, relating to		
- Plastics segment	**-**	674,561
- Foods segment	**94,233**	83,099
	94,233	757,660

(All amounts in Saudi Riyals thousands unless otherwise stated)

Details of assets and liabilities held for sale at December 31, are as follows:

4.1 Assets and liabilities held for sale

	2015	**2014**
Assets		
Cash and cash equivalents	**6**	45,600
Accounts receivable and other receivables	**27,117**	350,437
Inventories	**13,148**	275,046
Property, plant and equipment	**4,764**	530,159
Other non-current assets	**-**	134,595
Disclosed as 'Assets classified as held for sale' in the consolidated balance sheet	**45,035**	1,335,837
Liabilities		
Borrowings	**48,935**	478,064
Accounts payable and other liabilities	**45,298**	245,159
Non-current liabilities	**-**	34,437
Disclosed as 'Liabilities associated with assets held for sale in the consolidated balance sheet	**94,233**	757,660

As at December 31, 2014, the "Currency translation differences" and "Effect of transaction with non-controlling interest without change in control", related to the discontinued plastic segment operations, amounts to Saudi Riyals 21.1 million and Saudi Riyals 11.1 million, respectively (December 31, 2015: Nil).

4.2 Income from discontinued operations

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

	2014
Sales	1,110,880
Cost of sales	(973,941)
Gross profit	136,939
Operating expenses	
Selling and marketing	(38,704)
General and administrative	(34,268)
Income from operations	63,967
Other income (expenses)	
Financial charges	(10,220)
Income before foreign income taxes and zakat	53,747
Zakat and foreign income taxes	(3,462)
Net income for the year disclosed as 'Income from discontinued operations' in the consolidated income statement	50,285

4.3 Cash flows from discontinued operations

Details of cash flows from the discontinued plastic segment for the year ended December 31, 2014 is as follows:

	2014
Cash flows from operating activities	104,291
Cash flows from investing activities	(50,793)
Cash flows from financing activities	(75,701)
Total cash flows from discontinued operations	(22,203)

5 Segment information

The Group operates principally in the following major business segments:

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

The Group has sold its plastic operations during March 2015.

(a) Selected financial information as of December 31, 2015 and 2014, and for the year then ended summarized by segment, is as follows:

2015	**Food**	**Retail**	**Plastic (sold operations)**	**Investments and other activities**	**Eliminations**	**Total**
Property, plant and equipment - net	**3,411,031**	**3,885,458**	**-**	**610,214**	**-**	**7,906,703**
Other non-current assets	**852,180**	**338,738**	**-**	**8,530,242**	**-**	**9,721,160**
Revenues - net	**13,112,024**	**13,532,731**	**-**	**144,856**	**(364,195)**	**26,425,416**
Net income	**687,559**	**146,359**	**-**	**972,386**	**(14,557)**	**1,791,747**

2014	**Food**	**Retail**	**Plastic (discontinued operations)**	**Investments and other activities**	**Eliminations**	**Total**
Property, plant and equipment - net	3,261,232	2,983,434	-	510,850	-	6,755,516
Other non-current assets	805,757	322,826	-	8,279,810	-	9,408,393
Revenues - net	14,591,948	12,204,377	-	127,173	(335,656)	26,587,842
Net income	610,285	502,649	50,285	937,564	(28,464)	2,072,319

Net income denotes net income attributable to the shareholders' of the parent company.

(b) The Group's operations are conducted in Saudi Arabia, Egypt, Iran and other countries. Selected financial information as of December 31, 2015 and 2014 and for the years then ended summarized by geographic area, is as follows:

2015	**Saudi Arabia**	**Egypt**	**Iran**	**Other countries**	**Total**
Property, plant and equipment - net	**5,358,457**	**1,616,303**	**730,105**	**201,838**	**7,906,703**
Other non-current assets	**9,304,118**	**350,215**	**61,699**	**5,128**	**9,721,160**
Revenues – net	**17,561,509**	**3,465,940**	**2,701,598**	**2,696,369**	**26,425,416**
Net income (loss)	**1,483,058**	**(28,760)**	**232,106**	**105,343**	**1,791,747**

2014	**Saudi Arabia**	**Egypt**	**Iran**	**Other countries**	**Total**
Property, plant and equipment - net	4,173,071	1,632,517	719,489	230,439	6,755,516
Other non-current assets	8,792,209	441,669	60,956	113,559	9,408,393
Revenues -net	16,797,531	3,533,006	3,463,111	2,794,194	26,587,842
Net income (loss)	1,860,821	(36,850)	158,909	89,439	2,072,319

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Cash and cash equivalents

	2015	2014
Cash in hand	**25,870**	38,943
Cash at bank	**1,334,976**	1,208,850
Short term deposits	**706,222**	386,719
	2,067,068	1,634,512

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

7 Accounts receivable

	Note	2015	2014
Trade		**931,283**	994,932
Less: provision for doubtful debts		**(56,718)**	(57,063)
		874,565	937,869
Due from related parties	21.2	**39,944**	64,166
		914,509	1,002,035

8 Inventories

	2015	2014
Finished products	**3,484,851**	2,762,835
Raw and packing materials	**1,116,297**	1,142,589
Work in process	**100,497**	152,890
Spare parts and supplies, not held for sale	**200,484**	195,635
Goods in transit	**159,615**	239,398
	5,061,744	4,493,347
Less: provision for inventory obsolescence / slow moving	**(221,438)**	(80,239)
	4,840,306	4,413,108

Inventories amounting to Saudi Riyals 366.8 million at December 31, 2015 (2014: Saudi Riyals 353.9 million) are pledged with foreign banks as collateral against bank borrowing facilities of certain consolidated subsidiaries.

9 Prepayments and other receivables

	Note	2015	2014
Advances to vendors and others		**479,935**	625,815
Prepaid rent and expenses		**440,019**	360,177
Insurance claim receivable		**23,004**	203,725
Current portion of long term receivables	11.1.1	**150,380**	153,395
Balance relating to commodity future and forward contracts	9.1	**85,074**	120,162
Receivable from government authorities	9.2	**28,519**	111,085
Employee receivables		**56,230**	61,158
Refundable deposits		**56,972**	28,356
Due from related parties	21.2	**42,033**	57,177
Unclaimed dividends		**25,679**	16,880
Other		**151,483**	114,295
		1,539,328	1,852,225

(All amounts in Saudi Riyals thousands unless otherwise stated)

9.1 Balance related to future and forward contracts

Balance related to future and forward contracts represents fair value of commodity hedging contracts outstanding at year end date which were entered into by the Group during the year. Forward and future contract assets as at December 31, 2015 are disclosed in the above note and forward and future contract liabilities are disclosed in 'Accrued and other liabilities' (Note 17). The hedge effectiveness test conducted by the management has proven that fair value hedge was highly effective. Accordingly, the effective portion of the changes in the fair value of the derivatives was charged directly to the 'cost of sales' in accordance with the accounting policy. The hedging arrangements that did not qualify for hedge accounting were recognised in the consolidated income statement amounting to gain of Saudi Riyals 97.6 million (2014: Saudi Riyals 55.5 million) (Note 30). The effective portion recognised in the fair value reserve on the consolidated balance sheet that arises from cash flow hedges amounts to a gain of Saudi Riyals Nil (2014: Saudi Riyals 2.4 million).

The notional principal amounts of the outstanding forward and future contracts at December 31, 2015 were Saudi Riyals 1,131 million (2014: Saudi Riyals 2,168 million).

9.2 Receivable from government authorities

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

10 Long term receivables

	Note	2015	2014
Sale proceeds receivable on disposal of investment in Diyar Al Mashreq	11.1.1	**148,960**	298,480
Non-current trade receivable		**28,247**	23,616
		177,207	322,096

11 Investments

	Note	2015	2014
Investment in associates	11.1	**7,720,958**	7,188,197
Available for sale investments (AFS)	11.2	**709,275**	732,519
		8,430,233	7,920,716

11.1 Investment in associates

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

	Effective ownership interest (%)			
	2015	**2014**	**2015**	**2014**
Almarai Company ("Almarai")	**36.52**	36.52	**6,362,608**	5,856,686
Kinan International for Real Estate Development Company ("Kinan")	**29.9**	29.9	**617,143**	597,418
Herfy Foods Services Company ("Herfy")	**49**	49	**391,739**	361,072
Intaj Capital Limited	**49**	49	**179,244**	189,244
Al-Seera City Company For Real Estate Development	**40**	40	**151,790**	164,578
Knowledge Economic City Development Company	**17**	17	**16,435**	17,200
Others	**Various**	Various	**1,999**	1,999
			7,720,958	7,188,197

(All amounts in Saudi Riyals thousands unless otherwise stated)

Movement in the investment in associates is as follows:

	Note	2015	2014
January 1		**7,188,197**	7,125,209
Share in net income		**794,948**	930,153
Fair value reserve adjustment	24	**27,121**	(98,648)
Disposals	11.1.1	**-**	(285,026)
Dividends		**(289,308)**	(354,939)
Other adjustments	11.1.2	**-**	(80,752)
Impairment	29	**-**	(47,800)
December 31		**7,720,958**	7,188,197

11.1.1 Disposal of investment in Diyar

During September 2014, the Company sold its direct and indirect ownership in Diyar Al Mashreq - Masharef Project to its associate Kinan at a total price of Saudi Riyals 593.6 million. Accordingly, the Group recorded a capital gain on this transaction amounting to Saudi Riyals 187.5 million. As per the terms of the agreement, Kinan will pay the proceeds in four installments. First instalment of Saudi Riyals 112 million was paid upon signing of contract and the second installment of Saudi Riyals 167.6 million was paid during 2015. The abovementioned receivable amounts from Kinan are discounted at their respective present values and are included within 'Long term receivables' in the consolidated balance sheet. The present value of the remaining two installments are as follows:

Years ending December 31:

2016	**150,380**
2017	**148,960**
	299,340

11.1.2 Other adjustment during 2014 principally represents the adjustment in the capital gain, as required by general accepted accounting principles, on the sale of Diyar to the extent of Company's shareholding percentage in Kinan, since Kinan is an associate of the Group.

11.2 Available-for-sale investments

AFS investments at December 31, principally comprise the following:

	Effective ownership interest (%)		2015	2014
	2015	**2014**		
Quoted investments				
Emaar the Economic City	**0.9**	0.9	**96,319**	88,503
Knowledge Economic City	**6.4**	6.4	**336,660**	367,720
Taameer Jordan Holding Company	**5.0**	5.0	**-**	-
Unquoted investments				
Swicorp Joussour Company ("Joussour")	**14.81**	14.81	**135,869**	135,869
Swicorp, Saudi Arabia	**15**	15	**115,674**	115,674
Dar Al Tamleek	**5**	5	**24,753**	24,753
			709,275	732,519

During 2015, the Group received dividend amounting to Saudi Riyals 1.17 million (2014: Saudi Riyals 47.4 million) from some of the above mention available-for-sale investments.

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	Note	2015	2014
January 1		**732,519**	810,140
Impairment	29	**-**	(19,600)
Fair value reserves adjustments	24	**(24,807)**	(25,093)
Capital reduction		**-**	(30,828)
Others		**1,563**	(2,100)
December 31		**709,275**	732,519

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12 Property, plant and equipment

Cost	**Land**	**Buildings**	**Leasehold improvements**	**Plant and equipment**	**Furniture and office equipment**	**Vehicles**	**Construction work in progress**	**Total**
January 1, 2015	963,824	939,056	1,429,865	2,710,928	2,068,918	353,822	2,169,625	**10,636,038**
Additions	362,720	131,087	7,006	70,273	387,204	64,291	1,054,024	**2,076,605**
Assets classified as held for sale	(4,764)	-	-	-	-	-	-	**(4,764)**
Disposals	(53,393)	(20,559)	-	(505)	(48,446)	(25,345)	(26,155)	**(174,403)**
Transfer from / (to) CWIP	-	561,763	293	195,986	143,371	1,390	(902,803)	**-**
Hyperinflation adjustment	(90)	(10,419)	-	(9,457)	(1,001)	(664)	341	**(21,290)**
Currency translation differences	(4,132)	(67,822)	(2,787)	(167,540)	(21,416)	(5,808)	(25,003)	**(294,508)**
December 31, 2015	1,264,165	1,533,106	1,434,377	2,799,685	2,528,630	387,686	2,270,029	**12,217,678**
Accumulated depreciation								
January 1, 2015	-	(422,697)	(396,809)	(1,570,963)	(1,252,824)	(237,126)	(103)	**(3,880,522)**
Additions	-	(166,040)	(3,209)	(158,573)	(219,747)	(41,251)	-	**(588,820)**
Disposals	-	10,654	-	1,845	42,039	23,929	-	**78,467**
Hyperinflation adjustment	-	416	-	5,545	498	330	-	**6,789**
Currency translation differences	-	17,816	695	40,962	12,876	659	103	**73,111**
December 31, 2015	-	(559,851)	(399,323)	(1,681,184)	(1,417,158)	(253,459)	-	**(4,310,975)**
Net book value	1,264,165	973,255	1,035,054	1,118,501	1,111,472	134,227	2,270,029	**7,906,703**

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Cost	**Land**	**Buildings**	**Leasehold improvements**	**Plant and equipment**	**Furniture and office equipment**	**Vehicles**	**Construction work in progress**	**Total**
January 1, 2014	676,097	1,026,743	1,280,736	3,972,656	1,678,432	328,541	1,684,582	10,647,787
Additions	429,128	28,080	143,234	41,347	256,561	46,362	874,169	1,818,881
Assets classified as held for sale	(8,473)	(3,073)	(126,222)	(1,019,577)	(11,878)	(8,352)	(65,542)	(1,243,117)
Disposals	(54,912)	(47,846)	(5,292)	-	(15,612)	(8,715)	(1,419)	(133,796)
Transfer from / (to) CWIP	(5,174)	(32,345)	140,154	(148,237)	169,354	(2,210)	(268,039)	(146,497)
Hyperinflation adjustment	656	9,070	910	(8,840)	1,081	645	(25,513)	(21,991)
Currency translation differences	(73,498)	(41,573)	(3,655)	(126,421)	(9,020)	(2,449)	(28,613)	(285,229)
December 31, 2014	963,824	939,056	1,429,865	2,710,928	2,068,918	353,822	2,169,625	10,636,038
Accumulated depreciation								
January 1, 2014	-	(401,462)	(384,675)	(2,149,983)	(1,106,417)	(214,101)	(103)	(4,256,741)
Additions	-	(57,849)	(81,701)	(177,043)	(177,828)	(39,654)	-	(534,075)
Assets classified as held for sale	-	-	65,651	610,648	9,967	6,053	-	692,319
Disposals	-	32,275	7,674	122,154	19,613	11,071	-	192,787
Hyperinflation adjustment	-	(1,625)	(1)	(8,445)	(430)	(1,826)	-	(12,327)
Currency translation differences	-	5,964	(3,757)	31,706	2,271	1,331	-	37,515
December 31, 2014	-	(422,697)	(396,809)	(1,570,963)	(1,252,824)	(237,126)	(103)	(3,880,522)
Net book Value	**963,824**	**516,359**	**1,033,056**	**1,139,965**	**816,094**	**116,696**	**2,169,522**	**6,755,516**

a) Currency translation differences at December 2015 and 2014 pertain to differences from currency translation of the Group's overseas subsidiaries.
b) Construction work in progress relates to the construction of super markets and hyper markets for Panda and upgrading and enhancing the production facilities of certain subsidiaries of SFC.
c) Certain property, plant and equipment of the Group overseas subsidiaries are pledged as collateral with commercial banks. Also see Note 15.
d) Additions include Saudi Riyals 32 million in respect of finance costs capitalized during 2015 (2014: Saudi Riyals 58 million). The average rate used to determine the amount of finance costs capitalized during 2015 was 2.5% (2014: 2.4%).

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Intangible assets

	Goodwill	Deferred charges	Other intangible assets	Total
Cost				
January 1, 2015	801,379	590,722	242,876	**1,634,977**
Additions	22,702	5,162	-	**27,864**
Currency translation differences	(27,674)	-	-	**(27,674)**
December 31, 2015	**796,407**	**595,884**	**242,876**	**1,635,167**
Amortization				
January 1, 2015	-	(469,396)	-	**(469,396)**
Additions	-	(52,051)	-	**(52,051)**
December 31, 2015	-	**(521,447)**	**-**	**(521,447)**
Net balance	**796,407**	**74,437**	**242,876**	**1,113,720**

	Goodwill	Deferred charges	Other intangible assets	Total
Cost				
January 1, 2014	938,070	571,696	263,176	**1,772,942**
Additions	-	29,710	-	**29,710**
Classified under assets held for sale	(125,909)	(10,684)	-	**(136,593)**
Disposal of subsidiary	-	-	(20,300)	**(20,300)**
Currency translation differences	(10,782)	-	-	**(10,782)**
December 31, 2014	**801,379**	**590,722**	**242,876**	**1,634,977**
Amortization				
January 1, 2014	-	(429,114)	-	**(429,114)**
Classified under assets held for sale	-	1,998	-	**1,998**
Additions	-	(42,280)	-	**(42,280)**
December 31, 2014	**-**	**(469,396)**	**-**	**(469,396)**
Net balance	**801,379**	**121,326**	**242,876**	**1,165,581**

13.1 Goodwill

Impairment tests for goodwill

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

The discount rates and perpetuity growth rates averaged between 8% to 19% and 3% to 5%. The discount rates used are pre-zakat and pre-income tax reflect specific risks relating to the industry. The results of impairment test at December 31, 2015 and 2014 indicated no impairment charge.

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Short-term borrowings

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

15 Long-term borrowings

	Note	2015	2014
Commercial bank loans	15.1	**3,607,881**	3,748,917
Sukuk	15.2	**1,500,000**	1,500,000
		5,107,881	5,248,917
Current maturity shown under current liabilities		**(528,785)**	(646,204)
		4,579,096	4,602,713

15.1 Commercial bank loans

Borrowings from commercial banks and other financial institutions represent financing for the Company and its consolidated subsidiaries. These borrowings are in Saudi Riyals, Egyptian pounds, Turkish lira and US Dollars. Certain of these borrowings are secured by a charge on the property, plant and equipment of certain subsidiaries having net book value of approximately Saudi Riyals 1,902 million (2014: Saudi Riyals 2,682 million). 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 Company.

15.2 Sukuk

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

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

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

15.3 Maturity profile of long-term borrowings

Years ending December 31:

	2015	2014
2015	**-**	646,204
2016	**528,785**	1,579,164
2017	**1,433,611**	562,435
2018	**594,673**	349,131
2019	**567,833**	611,983
2020 and thereafter	**1,982,979**	1,500,000
	5,107,881	5,248,917

(All amounts in Saudi Riyals thousands unless otherwise stated)

15.4 Interest Rate Swaps (IRS)

The Company has entered into IRS contracts with local commercial banks to hedge its interest rate exposure on its borrowings and is expected to mature in 2020. The fair value of such contracts outstanding as at December 31, 2015 amounted to Saudi Riyals 7.05 million (2014: Saudi Riyals 23.5 million) which are disclosed within 'accrued and other liabilities' and the fair value adjustment amount is recorded within equity under fair value reserve (See note 24).

The notional principal amounts of the outstanding interest rate swap contracts at December 31, 2015 were Saudi Riyals 750 million (2014: Saudi Riyals 750 million).

16 Accounts payable

	Note	2015	2014
Trade		**3,013,835**	2,623,219
Related parties	21.2	**112,549**	97,672
		3,126,384	2,720,891

17 Accrued and other liabilities

	Note	2015	2014
Accrued expenses and other liabilities		**515,189**	679,054
Accrued zakat and tax	17.1	**258,134**	270,280
Marketing related accruals		**218,453**	220,283
Accrued interest		**237,167**	189,495
Accrued utilities freight and other accrued charges		**125,459**	72,988
Employee related accrual		**135,853**	184,892
Unclaimed dividend		**201,244**	183,556
Payable to contractors		**147,709**	157,285
Balances related to forward contracts	9.1,15.4	**34,367**	42,018
Advances from customers		**50,244**	35,257
Payable to government authorities		**62,433**	19,126
Dividend payable to non-controlling interest		**23,520**	18,422
		2,009,772	2,072,656

17.1 Zakat and tax matters

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

	2015	2014
Income tax	**114,439**	126,532
Zakat	**23,263**	53,894
	137,702	180,426

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

	2015	2014
January 1,	**270,280**	376,004
Charge	**137,702**	180,426
Classified within 'liabilities associated with assets held for sale'	**-**	(13,649)
Disposal of subsidiary	**(39,636)**	(31,405)
Payments / Currency translation adjustment	**(110,212)**	(241,096)
December 31,	**258,134**	270,280

(All amounts in Saudi Riyals thousands unless otherwise stated)

17.1.1 Components of zakat base

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

17.1.2 Status of final assessments

(a) Zakat status

The Company has finalized its zakat status up to the year 2004 and has filed the Zakat returns for the years 2005 to 2011. The DZIT issued the assessment for the year 2009 and claimed zakat differences of Saudi Riyals 1.3 million. The Company has paid for such zakat differences under appeal.

The Company's Saudi subsidiaries received final zakat certificates for certain years and provisional zakat certificates for other years. They have also received queries from the DZIT for the open years, for which replies have been / will be filed by the respective companies. Some Saudi subsidiaries received assessments from the DZIT concerning their zakat declarations for the open years, in which the DZIT assessed additional zakat liabilities of approximately Saudi Riyals 46.8 million (2014: Saudi Riyals 47.1 million). The subsidiaries have appealed such additional assessments.

(b) Income tax status

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

17.2 Deferred tax liability

	2015	**2014**
January 1	**80,205**	45,939
Addition	**22,727**	37,791
Disposal of subsidiary	**-**	(3,525)
December 31	**102,932**	80,205

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

18 Deferred gain

	2015	**2014**
January 1	**192,410**	180,116
Addition	**-**	28,502
Amortization	**(17,096)**	(16,208)
December 31	**175,314**	192,410

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Long-term payables

	Note	2015	2014
Unclaimed dividends	19.1	**52,437**	53,273
Deferred rent payable		**14,048**	11,315
		66,485	64,588

19.1 Unclaimed dividends

Long-term payables at December 31, 2015 and 2014 represent dividends declared in prior years and share fractions, which resulted from split of shares in prior years. Such amounts have not yet been claimed by the respective shareholders for several years. In the opinion of management, such amounts are unlikely to be paid during 2016 and, accordingly, they have been classified under non-current liabilities.

20 Employee termination benefits

	2015	2014
January 1	**372,168**	350,969
Provisions	**77,586**	109,293
Classified within ‘liabilities associated with assets held for sale’	**-**	(25,484)
Disposal of subsidiary	**-**	(8,438)
Payments / Currency translation adjustment	**(37,534)**	(54,172)
December 31	**412,220**	372,168

21 Related party matters

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

21.1 Related party transactions

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

	2015	2014
Sales	**340,280**	622,588
Purchases	**855,935**	765,389
Rent expense charged by related parties	**100,887**	113,993
Key management personnel remuneration	**25,876**	40,909

21.2 Related party balances

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

(i) Due from related parties - trade

Company name	Relationship	2015	2014
Certain shareholders of USC	Shareholders of a subsidiary	**39,944**	64,166

(All amounts in Saudi Riyals thousands unless otherwise stated)

(ii) Due from related parties - non trade

Company name	Relationship	2015	2014
Intaj	Associate	**40,554**	40,554
Kinan International	Associate	**555**	15,196
Other		**924**	1,427
		42,033	57,177

Also, see Note 10 with respect to a long-term receivables from a related party.

(iii) Due to related parties

Company name	Relationship	2015	2014
Al Marai Company	Associate	**52,356**	48,255
Abdul Kadir Al Muhaidib Company	Shareholder of the Company	**18,342**	32,015
Hail Agricultural Development Company	Affiliate	**12,920**	13,153
Herfy	Associate	**8,725**	2,436
Other		**20,206**	1,813
		112,549	97,672

21.3 Board of directors remuneration

Board of Directors' remuneration for the year ended December 31, 2015 amounting to Saudi Riyals 2.2 million (2014: Saudi Riyals 2.2 million) has been calculated in accordance with the Company's By-laws and is considered as appropriation shown in the statement of changes in shareholders' equity. Attendance allowances and other expenses to the directors and members of various board committees for the year ended December 31, 2015 amounting to Saudi Riyals 4,437 thousand (2014: Saudi Riyals 3,063 thousand) are charged to expenses and included under general and administrative expenses.

22 Share capital

At December 31, 2015, the Company's share capital of Saudi Riyals 5.3 billion consists of 533.9 million fully paid shares of Saudi Riyals 10 each (December 31, 2014: Saudi Riyals 5.3 billion consisting of 533.9 million fully paid shares of Saudi Riyals 10 each).

23 Statutory reserve

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

24 Fair value reserve

	Note	2015	2014
January 1,		**(17,465)**	131,992
Fair value adjustment from investment in associates	11.1	**27,121**	(98,648)
Fair value adjustment from investment in available for sale investments	11.2	**(24,807)**	(25,093)
Fair value adjustment from derivative financial instruments relating to cash flow hedge	9.1, 15	**18,935**	(25,716)
December 31,		**3,784**	(17,465)

(All amounts in Saudi Riyals thousands unless otherwise stated)

25 Insurance claim

During June 2013, there was a fire incident in the USC raw sugar warehouse in Jeddah, Saudi Arabia. During the year ended December 31, 2015, USC has reached a full and final settlement with the insurance company at Saudi Riyals 548 million and recorded the excess of insurance claim amount over cost written-off of Saudi Riyals 126.5 million in the consolidated income statement.

26 Selling and marketing expenses

	2015	**2014**
Salaries, wages and benefits	**1,314,884**	1,014,235
Rent	**711,125**	515,704
Advertisement	**436,078**	393,432
Depreciation and amortization	**392,263**	314,507
Utilities	**254,594**	157,162
Maintenance	**144,175**	127,272
Commission	**63,065**	84,298
Other	**142,363**	116,882
	3,458,547	2,723,492

27 General and administrative expenses

	2015	**2014**
Salaries, wages and benefits	**367,140**	412,783
Depreciation and amortization	**68,465**	66,860
Professional fees	**35,007**	26,233
Insurance	**30,456**	27,331
Rent	**11,751**	11,451
Traveling	**11,739**	10,938
Training	**13,130**	13,029
Utilities, telephone and communication cost	**6,090**	3,382
Supplies and packaging	**3,361**	3,928
Communication	**4,434**	4,323
Repairs and maintenance	**4,751**	2,468
Other	**48,829**	80,402
	605,153	663,128

28 Gain on disposal of investments

	Note	**2015**	**2014**
Gain on disposal of investment in an associate	11.1	**-**	187,505
Gain on disposal of investment in a subsidiary	28.1	**265,152**	22,195
		265,152	209,700

28.1 Gain on disposal of investment in subsidiary in 2015 relates to disposal of SPS. See Note 4 for details. Gain in 2014 relates to disposal of the Group's subsidiary in Kazakhstan.

29 Impairment loss

During 2014, the Company recognized an impairment provision amounting to Saudi Riyals 67.4 million on its available for sale investments and investment in associates. (Note 11).

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 Financial charges

	Note	2015	2014
Bank commission		**4,783**	2,050
Financial charges on Loans	14,15	**372,958**	379,737
Income from derivatives	9.1	**(97,640)**	(55,536)
Foreign exchange loss		**114,104**	29,783
Commission income earned on short-term bank deposits	6	**(186,916)**	(119,481)
		207,289	236,553

31 Hyperfinflationary accounting

The Group has operations in Iran and Sudan through its subsidiaries SBeC and Savola Sudan (the entities). As per the information provided by International Monetary Fund (IMF), the cumulative three year inflation rate for Iran and Sudan exceeded 100 percent as of December 31, 2014 and 2013 and this, combined with other indicators, resulted Iran and Sudan being declared as hyperinflationary economies. During December 2015, as per information provided by IMF combined with other indicators Iran ceased to be a hyperinflationary economy as of December 31, 2015. Accordingly, the Group has ceased to apply hyper-inflation accounting for Iran. The Group continues to adopt hyperinflationary accounting for Savola Sudan as at December 31, 2015, and has used the closing exchange rate at December 31, 2015 to translate both the income statement and balance sheet of Savola Sudan.

The main implications of the above application are as follows:

- Adjustment of the entities non-monetary assets and liabilities and the various items of equity of the entities from their date of acquisition or inclusion in the Group consolidated balance sheet to the end of year ended December 31, 2014 to reflect the changes in purchasing power of the currency caused by inflation.

- Adjustment of the income statement of the entities to reflect the financial gain/loss caused by the impact of inflation during the year on net monetary liabilities/assets (loss/gain of purchasing power).

- The various components of the financial statements of these entities have been adjusted for the inflation index since their generation.

- The results and financial position of the entities are translated into Saudi Riyals as per the requirements of applicable accounting standard:

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

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

	2015	2014
Revenue increased by	**12,875**	169,742
Income from operations decreased by	**(50,391)**	(35,899)
Total non-current assets (decreased) increased by	**(30,594)**	11,076
Currency translation differences impacted by	**(46,903)**	(46,978)

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

	Iran	**Sudan**
Conversion factor for the period ended September 30, 2015* / December 31, 2015	1.06	1.09
Conversion factor for the year ended December 31, 2014	1.16	1.27

* The date for cessation of application of hyperinflation for Iran.

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

32 Operating leases

The Group has various operating leases for its offices, warehouses and production facilities. Rental expenses for the year ended December 31, 2015 amounted to Saudi Riyals 722.8 million (2014: Saudi Riyals 538.4 million). Future rental commitments at December 31, under these operating leases are as follows:

	2015	**2014**
Within one year	**851,550**	617,270
Between two and five years	**2,462,002**	1,841,122
More than five years	**5,178,133**	5,786,861
	8,491,685	8,245,253

33 Earnings per share

Earnings per share for the years ended December 31, 2015 and 2014, have been computed by dividing the operating income and net income attributable to shareholders of the Company for such years by the number of shares outstanding during such years.

34 Dividends

The Company's shareholders have approved and paid dividends amounting to Saudi Riyals 1,067.96 million in 2015. The details of interim dividends approved and final dividend proposed by the Board of Directors are as follows:

Date	**Dividend rate**	**Interim / final**	**Amount Saudi Riyals in million**
January 18, 2015	Saudi Riyal 0.50 per share	Final 2014	266.99
April 19, 2015	Saudi Riyal 0.50 per share	Interim 2015	266.99
July 28, 2015	Saudi Riyal 0.50 per share	Interim 2015	266.99
October 19, 2015	Saudi Riyal 0.50 per share	Interim 2015	266.99
			1,067.96
January 20, 2016	Saudi Riyal 0.50 per share	Final 2015 - Proposed	266.99

35 Contingencies and commitments

i) The Group has outstanding bank guarantees and letters of credit amounting to Saudi Riyals 466 million at December 31, 2015 (2014: Saudi Riyals 274.3 million), which were issued in the normal course of business;

ii) Also see Note 15 with respect to guarantees given for certain loans, Note 17 with respect to zakat contingencies and Note 32 with respect to leases;

iii) At December 31, 2015, one of the subsidiaries had commitments to sell in 2016 refined sugar of approximately 409,861 MT (2014: 713,297 MT to sell in 2015) at prices, which would approximate the prevailing market prices at the contract date. The raw sugar price of committed sale contracts is hedged through forward contracts and are expected to make in 2016;

iv) At December 31, 2015, the Group had outstanding commitments of Saudi Riyals 49.6 million (2014: Saudi Riyals 81.1 million) for investments; and

v) At December 31, 2015, the Group had outstanding capital commitments of Saudi Riyals 518 million (2014: Saudi Riyals 578.7 million).

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