

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2020
together with the Independent Auditor's Report

SAVOLA GROUP COMPANY

(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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Independent Auditor's Report

To the Shareholders of Savola Group Company

Opinion

We have audited the consolidated financial statements of Savola Group Company ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

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

Independent Auditor's Report

To the Shareholders of Savola Group Company (continued)

Impairment testing of non-financial assets

Refer Note 3(c)(ii) for the accounting policy relating to goodwill, Note 3(g) for accounting policy relating to property, plant and equipment Note 3(h) for the accounting policy relating to intangible assets, Note 3(k) for the accounting policy relating to impairment, Note 3(r) for right-of-use assets, Note 4 for the property, plant and equipment disclosure, Note 5 for the right-of-use assets, Note 6 for the intangible assets and goodwill disclosure and Note 35 for the impairment loss disclosure.

Key audit matter

As at December 31, 2020, the carrying value of intangible assets and goodwill amounted to SR 820 million (2019: SR 832 million). Further, as at December 31, 2020, the carrying value of property, plant and equipment and right-of-use (RoU) assets amounted to SR 6,362 million (2019: SR 6,512 million) and SR 3,912 million (2019: 4,320 million) respectively. Impairment loss (net) recognised on the non-financial assets during the year amounted to SR 50 million (2019: SR 73 million).

Intangible assets with indefinite useful life and Goodwill are subject to a mandatory annual impairment test and the intangible assets with definite useful life, property, plant and equipment and RoU assets are subject to impairment testing where there are internal or external indicators of impairment. The Group reviews the carrying amounts of these non-financial assets to determine whether their carrying values exceed the recoverable amounts, which is the higher of value in use or the fair value less costs to sell. For the purpose of the Group's impairment assessment, management has used the value in use model, to determine the recoverable amount, under which the future cash flows relating to each Cash Generating Unit (CGU) were discounted and compared to their respective carrying amounts. A value in use model requires input of several key assumptions, including estimates of future sales volumes, prices, operating costs, terminal value, growth rates and discount rates.

There is uncertainty in estimating the recoverable amount of non-financial assets which principally arises from the inputs used in both forecasting and discounting future cash flows. A combination of the significance of the asset balances and the inherent uncertainty in the assumptions supporting the valuations of non-financial assets, means that an assessment of their carrying value is one of the key judgmental areas.

We considered valuation of non-financial assets including intangible assets and goodwill as a key audit matter due to the significant judgment and key assumptions involved in the impairment assessment process.

How the matter was addressed in our audit

We performed the following audit procedures in relation to non-financial assets impairment:

- Assessed the appropriateness of the Group's accounting policies for measurement of non-financial assets in line with the requirements of International Financial Reporting Standards (IFRS);
- Assessed the design and implementation, and tested the operating effectiveness of the Group's controls around impairment assessment;
- Checked the accuracy and completeness of the information produced by management, which was used as the basis of the impairment assessment;
- Checked mathematical accuracy of the models used by the management;
- Engaged our internal valuations specialist to assess the key assumptions used in the value in use calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates;
- Compared forecasts to historical experience and applied our understanding of the future prospects of the business from internal and external sources;
- Performed a sensitivity analysis, which included assessing the effect of reasonably possible reductions in growth rates and forecast cash flows to evaluate the impact on the currently estimated headroom for the respective CGUs; and
- Considered the adequacy of the Group's related disclosures in terms of applicable accounting standards.

Independent Auditor's Report

To the Shareholders of Savola Group Company (continued)

Valuation of equity-accounted investees

Refer Note 3(c)(iii) for the accounting policy relating to equity-accounted investees and Note 8 for the related disclosures:

Key audit matter

As at December 31, 2020, the carrying value of equity-accounted investees amounted to SR 9,054 million (2019: SR 8,625 million).

Equity accounted investments are accounted for using the equity method in accordance with IAS 28 – Investments in Associates and Joint Ventures. This has been identified as a key audit matter due to the significance of the amounts involved, the complexities attached to the determination of carrying values at reporting dates, trade and capital transactions with investees and judgment involved in the determination of possible impairment loss.

How the matter was addressed in our audit

We performed the following audit procedures in relation to valuation of equity-accounted investees:

- Assessed the appropriateness of the Group's accounting policies for measurement of equity accounted investments in line with the requirements of International Financial Reporting Standards (IFRS);
- Assessed the design and implementation, and tested the operating effectiveness of the Group's controls around recognition and subsequent measurement of Equity accounted investees including the impairment assessment process;
- Verified components of equity accounted investments from underlying details and supporting documentation;
- Evaluated the process by which the Group's cash flow forecasts for the equity-accounted investees (where there are indicators of impairment) were developed;
- Engaged our internal valuations specialist to assess the key assumptions used in the recoverable amount calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates and performed a sensitivity analysis on these key assumptions;
- Checked the mathematical accuracy of the impairment models;
- Tested the accuracy and completeness of the information produced by management, which was used for the basis of the impairment assessment; and
- Considered the adequacy of the Group's equity-accounted investees' disclosures in terms of applicable accounting standards.

Independent Auditor's Report

To the Shareholders of Savola Group Company (continued)

Valuation of Inventories

Refer Note 3(j) for the accounting policy on inventories and Note 10 for the inventories disclosure.

Key audit matter

As at December 31, 2020, the Group's inventories balance was SR 3,067 million (2019: SR 2,752 million) net of allowance for slow moving inventories of SR 102 million (2019: SR 95 million).

Inventories are stated at the lower of cost and net realizable value and an allowance is made by the Group, where necessary, for obsolete and slow moving inventories. Management determines the level of obsolescence of inventories by considering their nature, ageing profile, expiry dates and sales expectations using historic trends and other qualitative factors. At each reporting date, the cost of inventories is reduced where inventories are forecasted to be sold at below cost.

The Group also deals in commodity hedging contracts for its raw sugar inventory. The management accounts for these contracts using the mark-to-market method and reviews the valuation and hedge effectiveness at each reporting period by obtaining broker statements and exchange-quoted price.

We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on Net Realisable Value (NRV) assessment. Further, the commodity hedging involves the use of complex valuation methods and significant assumptions such as applicable exchange and over-the-counter quotations, parity differences, price volatility, counterparty performance and credit risks.

How the matter was addressed in our audit

We performed the following audit procedures in relation to valuation of inventories:

- Assessed the appropriateness of the Group's accounting policies for recognition and measurement of inventories in line with the requirements of relevant accounting standards;
- Assessed the design and implementation, and tested the operating effectiveness of the Group's control around recognition and subsequent measurement of inventories including the monitoring of the allowance for slow moving items;
- Evaluated the appropriateness of the Group's policy for allowance for slow moving inventories by performing retrospective testing, comparing historical estimates with actual losses; and current and future expectations with respect to sales
- Involving our internal IT specialist to test the integrity of the inventories' ageing report used by the management in its determination of the allowance for slow moving inventories;
- Attended periodical physical count of inventories on selected locations to identify expired, lost or slow-moving items;
- Tested the net realisable value of finished goods inventories by considering actual sales post year-end and the assumptions used by the management to check whether inventories are valued at the lower of cost and net realisable value;
- Engaged our specialist to test management's control over the establishment of the hedging relationship, monitoring hedge effectiveness and appropriateness of assumptions used in developing mark to market values of derivatives at the reporting date including the exchange-quoted prices, broker statement and other direct and indirectly observable inputs;
- Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

Independent Auditor's Report

To the Shareholders of Savola Group Company (continued)

Revenue recognition

Refer Note 3(n) for the accounting policy relating to revenue recognition and Note 30 for the relevant disclosures.

Key audit matter

During the year ended December 31, 2020, the Group recognized total revenue of SR 21,702 million (2019: SR 21,406 million).

Most of the Group's sales arrangements are considered straightforward, being on a point-in-time basis of recognition and requiring little judgment to be exercised. However, in certain cases the Group recognizes revenue through sales to related parties and certain components provide right of return to customers; which increase the level of judgment in revenue recognition at the year end.

Revenue recognition is considered a key audit matter in view of the risk that management may override controls to intentionally misstate revenue transactions in order to achieve financials targets, either through adjusting estimates at the period end or recording fictitious transactions in the business.

How the matter was addressed in our audit

We performed the following procedures in relation to revenue recognition:

- Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards;
- Assessed the design and implementation, and tested the operating effectiveness of the Group's controls, including anti-fraud controls, over the recognition of revenue;
- Evaluated key contractual and returns arrangements by considering relevant documentation and agreements with the customers;
- Inspected a sample of sales transactions taking place before and after the year-end to assess whether revenue was recognized in the correct accounting period;
- Developed an expectation of the current year revenue based on trend analysis information, taking into account sales volume, average prices and our understanding of each market segment. We then compared this expectation to actual revenue and, where relevant, completed further inquiries and testing; and
- Tested topside journal entries posted to the revenue accounts in the general ledger in order to identify unusual or irregular items.
- Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether management's application of IFRS 15 requirements was in accordance with the accounting standard;
- Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

Independent Auditor's Report

To the Shareholders of Savola Group Company (continued)

Other Information

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

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

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

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Independent Auditor's Report

To the Shareholders of Savola Group Company (continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

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

For KPMG Al Fozan & Partners
Certified Public Accountants



Ebrahim Oboud Baeshen
License No: 382

Jeddah, Shaban 4, 1442H
Corresponding to March 17, 2021



SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	December 31, <u>2020</u>	December 31, <u>2019</u>
ASSETS			
Property, plant and equipment	4	6,361,632	6,512,256
Right-of-use assets	5	3,912,128	4,319,670
Intangible assets and goodwill	6	820,157	831,596
Investment property	7	26,677	29,881
Equity-accounted investees	8	9,054,136	8,625,047
Investments at fair value through other comprehensive income	9	387,196	347,590
Long term receivables		7,547	7,268
Derivative	12	2,311	1,999
Deferred tax asset	22	29,800	12,480
Non-current assets		20,601,584	20,687,787
Inventories	10	3,067,033	2,752,020
Trade receivables	11	1,182,226	1,190,657
Prepayments and other receivables	12	1,111,371	1,060,195
Investments at fair value through profit or loss	9	2,792	26,516
Cash and bank balances	13	1,093,378	940,536
Current assets		6,456,800	5,969,924
TOTAL ASSETS		27,058,384	26,657,711
EQUITY			
Share capital	14	5,339,807	5,339,807
Shares held under employees' share based payment plan	17	(16,509)	--
Share premium		342,974	342,974
Statutory reserve	15	1,774,085	1,774,085
General reserve		4,000	4,000
Other reserves	16	(94,585)	(179,230)
Effect of transactions with non-controlling interests without change in control		(187,979)	(187,979)
Foreign currency translation reserve		(1,966,648)	(1,792,396)
Retained earnings		3,036,997	2,288,979
Equity attributable to owners of the Company		8,232,142	7,590,240
Non-controlling interests		932,412	948,830
TOTAL EQUITY		9,164,554	8,539,070
LIABILITIES			
Loans and borrowings	19	4,464,301	3,905,245
Lease liabilities	20	3,723,132	3,955,686
Employee benefits	21	803,870	747,201
Long-term payables	24	248,592	204,146
Derivative	12	190,562	188,094
Provision against asset restoration		146,466	139,609
Deferred tax liability	22	133,051	114,745
Non-current liabilities		9,709,974	9,254,726
Loans and borrowings	19	2,436,015	3,639,250
Lease liabilities	20	642,881	676,840
Trade payables	23	2,474,998	2,304,872
Accrued and other liabilities	24	2,629,962	2,242,953
Current liabilities		8,183,856	8,863,915
TOTAL LIABILITIES		17,893,830	18,118,641
TOTAL EQUITY AND LIABILITIES		27,058,384	26,657,711

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the year ended December 31

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	<u>2020</u>	<u>2019</u>
Revenues	30	21,701,941	21,406,424
Cost of revenues	31	(17,061,558)	(16,902,120)
Gross profit		4,640,383	4,504,304
Share of results of equity-accounted investees, net of zakat and tax	8	704,148	639,357
Selling and distribution expenses	32	(2,781,370)	(2,941,686)
Administrative expenses	33	(852,787)	(820,280)
Impairment loss, net	35	(49,550)	(72,738)
Results from operating activities		1,660,824	1,308,957
Finance income		79,423	102,415
Finance cost		(621,243)	(789,077)
Net finance cost	36	(541,820)	(686,662)
Reversal of accruals no longer required	25	21,003	138,275
Profit before zakat and income tax		1,140,007	760,570
Zakat and income tax expense	25	(118,711)	(103,718)
Profit for the year		1,021,296	656,852
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss</i>			
Re-measurements of defined benefit liability	21	(13,640)	16,448
Investments at fair value through other comprehensive income – net change in fair value	9	39,606	23,386
<i>Items that are or may be reclassified to profit or loss</i>			
Foreign operations – foreign currency translation differences		(206,378)	(61,712)
Equity accounted investees - share of other comprehensive income		39,430	(2,699)
Cash flow hedges – effective portion of changes in fair value		5,772	(1,833)
Other comprehensive loss for the year		(135,210)	(26,410)
Total comprehensive income for the year		886,086	630,442

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended December 31

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Profit attributable to:			
Owners of the Company		910,802	475,630
Non-controlling interests		110,494	181,222
Profit for the year		1,021,296	656,852
 Total comprehensive income attributable to:			
Owners of the Company		817,194	462,797
Non-controlling interests		68,892	167,645
Total comprehensive income for the year		886,086	630,442
 Earnings per share attributable to the Owners of the Company (in Saudi Riyals):			
Basic and diluted	27	1.71	0.89

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Owners of the Company										
	Share capital	Share premium	Statutory reserve	General reserve	Other reserves	Effect of transactions with non- controlling interests without change in control	Foreign currency translation reserve	Retained earnings	Total	Non- controlling interests	Total equity
Balance at January 1, 2019	5,339,807	342,974	1,774,085	4,000	(198,084)	(187,979)	(1,744,616)	1,797,256	7,127,443	894,498	8,021,941
<u>Total comprehensive income / (loss) for the year</u>											
Profit for the year	--	--	--	--	--	--	--	475,630	475,630	181,222	656,852
Other comprehensive income / (loss)	--	--	--	--	18,854	--	(47,780)	16,093	(12,833)	(13,577)	(26,410)
	--	--	--	--	18,854	--	(47,780)	491,723	462,797	167,645	630,442
Dividends	--	--	--	--	--	--	--	--	--	(113,313)	(113,313)
Balance at December 31, 2019	<u>5,339,807</u>	<u>342,974</u>	<u>1,774,085</u>	<u>4,000</u>	<u>(179,230)</u>	<u>(187,979)</u>	<u>(1,792,396)</u>	<u>2,288,979</u>	<u>7,590,240</u>	<u>948,830</u>	<u>8,539,070</u>

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended December 31

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Owners of the Company											
	<u>Share capital</u>	<u>Share premium</u>	<u>Shares held under employees' share based payment plan</u>	<u>Statutory reserve</u>	<u>General reserve</u>	<u>Other reserves</u>	<u>Effect of transactions with non-controlling interests without change in control</u>	<u>Foreign currency translation reserve</u>	<u>Retained earnings</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance at January 1, 2020	5,339,807	342,974	--	1,774,085	4,000	(179,230)	(187,979)	(1,792,396)	2,288,979	7,590,240	948,830	8,539,070
<u>Total comprehensive income / (loss) for the year</u>												
Profit for the year	--	--	--	--	--	--	--	--	910,802	910,802	110,494	1,021,296
Other comprehensive income / (loss)	--	--	--	--	--	83,234	--	(174,252)	(2,590)	(93,608)	(41,602)	(135,210)
	--	--	--	--	--	83,234	--	(174,252)	908,212	817,194	68,892	886,086
Charge for equity-settled employees' share based payment plan (note 17)	--	--	--	--	--	1,411	--	--	--	1,411	--	1,411
Purchase of shares held under employees' share based payment plan (note 17)	--	--	(16,509)	--	--	--	--	--	--	(16,509)	--	(16,509)
Dividends (Note 14)	--	--	--	--	--	--	--	--	(160,194)	(160,194)	(85,310)	(245,504)
Balance at December 31, 2020	<u>5,339,807</u>	<u>342,974</u>	<u>(16,509)</u>	<u>1,774,085</u>	<u>4,000</u>	<u>(94,585)</u>	<u>(187,979)</u>	<u>(1,966,648)</u>	<u>3,036,997</u>	<u>8,232,142</u>	<u>932,412</u>	<u>9,164,554</u>

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Cash flows from operating activities			
Profit for the year		1,021,296	656,852
Adjustments for:			
Depreciation and amortisation		1,121,571	1,201,208
Net finance cost	36	541,820	686,662
Share of results of equity accounted investees, net of zakat and tax	8	(704,148)	(639,357)
Share based payment expense	17	1,411	--
Reversal of accruals no longer required		(21,003)	(138,275)
Impairment loss, net	35	49,550	72,738
(Gain) / loss on sale of property, plant and equipment		(1,373)	1,971
Provision for employee benefits	21	127,281	125,397
Zakat and income tax expense	25	118,711	103,718
		2,255,116	2,070,914
Changes in:			
Inventories		(485,152)	(131,231)
Trade receivables		(82,521)	(138,263)
Prepayments and other receivables		(167,890)	(232,631)
Trade payables		285,525	(61,198)
Accrued and other liabilities		543,193	357,764
Cash generated from operating activities		2,348,271	1,865,355
Finance cost paid		(340,796)	(397,320)
Zakat and income tax paid	25	(113,047)	(111,959)
Employee benefits paid	21	(69,389)	(76,832)
Net cash from operating activities		1,825,039	1,279,244
Cash flows from investing activities			
Acquisition of property, plant and equipment	4	(463,488)	(373,417)
Acquisition of investment property	7	(311)	(878)
Proceeds from sale of property, plant and equipment		11,405	41,504
Proceeds from investments		14,097	41,138
Net change in FVTPL investments	9	23,724	4,372
Dividends received	8	306,098	306,098
Net cash (used in) / generated from investing activities		(108,475)	18,817
Cash flows from financing activities			
Net change in loans and borrowings – current		(1,103,514)	(1,049,174)
Net change in loans and borrowings - non-current		555,410	619,584
Net changes in bank deposits with maturity more than three months		(213,776)	68,168
Payment of lease liabilities		(663,779)	(639,266)
Dividends paid		(160,025)	(2,406)
Dividend paid to non-controlling interests		(85,351)	(112,670)
Purchase of shares held under employees' share based payment plan	17	(16,509)	--
Net cash used in financing activities		(1,687,544)	(1,115,764)

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended December 31

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Net change in cash and cash equivalents		29,020	182,297
Effect of movement in exchange rates on cash and cash equivalents		(30,159)	(55,845)
Cash and cash equivalents at beginning of the year		<u>497,633</u>	<u>371,181</u>
Cash and cash equivalents at December 31	13	<u>496,494</u>	<u>497,633</u>
Supplemental schedule of non-cash financial information:			
Other reserves		<u>84,808</u>	<u>18,854</u>
Foreign currency translation reserve		<u>(206,378)</u>	<u>(61,712)</u>
Actuarial reserve	21	<u>(13,640)</u>	<u>16,448</u>

The notes from 1 to 41 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, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION

Savola Group Company is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030019708 issued in Jeddah on Rajab 21, 1399H (corresponding to June 16, 1979). The Company was formed under the Regulations for Companies in the Kingdom of Saudi Arabia per Royal Decree number M/21 dated Rabi-ul-Awal 29, 1398H (March 9, 1978).

The Company's registered office is located at the following address:

Savola Tower,
The Headquarter Business Park,
Prince Faisal Bin Fahad Street,
Jeddah 23511-7333,
Kingdom of Saudi Arabia.

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

At December 31, 2020, the Company had investments in the following subsidiaries (collectively referred to as the "Group"):

(I) Direct subsidiaries of the Company

i) Operating subsidiaries

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Ownership interest (%)</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
Savola Foods Company ("SFC")	Saudi Arabia	Holding company	100	100
Panda Retail Company ("Panda")	Saudi Arabia	Retail	98.87	98.87
Good Food Company ("GFC")	Saudi Arabia	Holding company	100	100
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	Real Estate	80	80
Herfy Food Services Company ("Herfy")	Saudi Arabia	Restaurant & manufacturing bakery products	49	49

SAVOLA GROUP COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(I) Direct subsidiaries of the Company (continued)

ii) Dormant and Holding subsidiaries

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Ownership interest (%)</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
Adeem Arabia Company (Adeem)	Saudi Arabia	Holding company	100	100
Al Utur Arabian Company for Commercial Investment	Saudi Arabia	Holding company	100	100
Al Matana Holding Company	Saudi Arabia	Holding company	100	--
Madarek Investment Company	Jordan	Holding company	100	100
United Complex Development Company	Saudi Arabia	Dormant company	100	100

(II) Savola Foods Company

The Parent Company has a 100% (December 31, 2019: 100%) ownership interest in Savola Foods Company ("SFC"), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 236/G dated Dhul Qadah 21, 1435H (September 16, 2014). Prior to its conversion to a closed joint stock company, SFC was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030180782 issued in Jeddah on Rajab 5, 1429H (July 8, 2008).

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

P

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

Subsidiaries controlled through Savola Foods Company:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Ownership interest (%)</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of edible oils	95.19	95.19
Savola Industrial Investment Company ("SIIC")	Saudi Arabia	Holding company	100	100
El Maleka for Food Industries Company	Egypt	Manufacturing of pasta	100	100
El Farasha for Food Industries Company *	Egypt	Manufacturing of pasta	--	100
Savola Foods Emerging Markets Company	British Virgin Islands (BVI)	Holding company	95.43	95.43
Afia International Distribution and Marketing Company	Saudi Arabia	Trading and distribution	99	99
Savola Foods for Sugar Company	Cayman Islands	Holding company	95	95
Savola Foods Company International Limited	United Arab Emirates (UAE)	Holding company	100	100
International Foods Industries Company ("IFI")	Saudi Arabia	Manufacturing of specialty fats	100	100
Seafood International Two FZCO	UAE	Seafood products trading and distribution	60	60
Afia Foods Arabia	Saudi Arabia	Dormant company	100	100
Al Maoun International Holding Company ("Al Maoun")	Saudi Arabia	Holding company	100	100
Marasina International Real Estate Investment ("Marasina")	Saudi Arabia	Holding company	100	100
Commodities Sourcing Company for Trading	Saudi Arabia	Trading Company	100	--

* In line with the consolidation plans for pasta business, in January 2020, the Group has merged its operation of Pasta segment and consequently El Farasha for Food Industries Company has legally merged into El Maleka for Food Industries Company.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

a) Subsidiaries controlled through Afia International Company:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Ownership interest (%)</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
Savola Behshahr Company ("SBeC")	Iran	Holding company	90	90
Malintra Holdings	Luxembourg	Dormant company	100	100
Savola Foods Limited ("SFL")	BVI	Holding company	100	100
Afia International Company – Jordan (under liquidation)	Jordan	Dormant company	98.57	98.57
Inveskz Inc.	BVI	Holding company	90	90
Afia Trading International	BVI	Dormant company	100	100
Savola Foods International	BVI	Dormant company	100	100
KUGU Gida Yatım Ve Ticaret A.Ş ("KUGU")	Turkey	Holding company	100	100
Aseel Food – Hold Co.	Cayman Islands	Holding company	100	100
<u>SBeC</u>				
Behshahr Industrial Company	Iran	Manufacturing of edible oils	79.9	79.9
Tolue Pakshe Aftab Company	Iran	Trading and distribution	100	100
Savola Behshahr Sugar Company	Iran	Trading and distribution	100	100
Notrika Golden Wheat Company	Iran	Manufacturing of Food and confectionery	90	90
<u>SFL</u>				
Afia International Company, Egypt	Egypt	Manufacturing of edible oils	99.95	99.95
<u>KUGU</u>				
Savola Gıda Sanayi Ve Ticaret Anonim Şirketi	Turkey	Manufacturing of edible oils	100	100

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

b) Subsidiaries controlled through Savola Industrial Investment Company:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Ownership interest (%)</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of sugar	74.48	74.48
<u>USC</u>				
Alexandria Sugar Company, Egypt ("ASCE")*	Egypt	Manufacturing of sugar	62.13	62.13
Beet Sugar Industries	Cayman Islands	Dormant company	100	100
<u>ASCE</u>				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	100	100

c) Subsidiaries controlled through Savola Foods Emerging Markets Company:

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

d) Subsidiary controlled through Savola Foods Company International:

Modern Behtaam Royan Kaveh Company	Iran	Food and confectionery	100	100
Middle East Technology Ventures Limited	Cayman Island	Holding Company	100	--

e) Subsidiary controlled through Al Maoun and Marasina

Alofog Trading DMMC	UAE	Trading and distribution	100	100
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* The Group's effective ownership interest in ASCE is 71.66% (2019: 71.66%).

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(III) Panda Retail Company

The Parent Company has a 98.87% (December 31, 2019: 98.87%) ownership interest in Panda Retail Company ("Panda"), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 235/G dated Rajab 22, 1431H (July 3, 2010). Prior to its conversion to a closed joint stock company, Panda was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 1010137417 issued in Riyadh on Rabi-ul-Awal 1, 1416H (July 28, 1995).

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

Subsidiaries controlled through Panda:

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Ownership interest (%)</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
Giant Stores Trading Company	Saudi Arabia	Retail	100	100
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services and maintenance	100	100
Panda International for Retail Trading	Egypt	Retail	100	100
Panda Bakeries Company	Saudi Arabia	Dormant company	100	100
<u>Giant</u>				
Lebanese Sweets and Bakeries	Saudi Arabia	Dormant company	95	95

SAVOLA GROUP COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(IV) Good Food Company

The Parent Company has a 100% (December 31, 2019: 100%) ownership interest in Good Food Company ("GFC"), which was incorporated as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030603674 issued in Jeddah on Rabi-ul-Thani 21, 1439H (January 8, 2018).

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

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

<u>Subsidiary name</u>	<u>Country of incorporation</u>	<u>Principal business activity</u>	<u>Ownership interest (%)</u>	
			<u>December 31, 2020</u>	<u>December 31, 2019</u>
Variety Food Factory Company	Saudi Arabia	Manufacturing of frozen food	51	51
Al Ahsan Trading Company	Saudi Arabia	Trading and distribution	51	51
Al Helal Imports and Exports Company	Bahrain	Trading and distribution	51	51
Sahar Enterprises Company	UAE	Trading and distribution	51	51
Sahar Food Industry Company	UAE	Manufacturing of frozen food	51	51
Al Kabeer Holding Limited	UAE	Holding Company	51	51
Best Foodstuff Trading Company	UAE	Trading and distribution	51	51

Subsidiaries controlled through Al Kabeer Holding Limited

Cascade Investments Limited (CIL)	UAE	Investment company	100	100
Cascade Marine Foods Company	UAE	Manufacturing frozen food	100	100
Al Sabah Foodstuff Enterprises Company	UAE	Trading and distribution	100	100
Best Foods Company*	Oman	Trading and distribution	100	--

CIL

Best Foods Company*	Oman	Trading and distribution	--	100
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* During December 2020, the ownership of Best Foods Company has been transferred from CIL to Al Kabeer Holding Limited.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

2. BASIS OF PREPARATION

a) Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA ("IFRS").

i) Accounting convention / Basis of Measurement

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

ii) Functional and presentation currency

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

b) Critical accounting estimates and judgments

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

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

Judgments

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

- (i) Note 3(c)(i) - whether the Group exercises control over an investee
- (ii) Note 3(c)(iii) - classification of equity accounted investees
- (iii) Note 3(d)(iv) - application of hedge accounting
- (iv) Note 3 (n) – revenue recognition: whether revenue is recognised over time or at a point in time
- (v) Note 3(r) - lease classification

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

2. BASIS OF PREPARATION (continued)

b) Critical accounting estimates and judgments (continued)

Assumptions and estimation uncertainties

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

i) Impairment of financial assets

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

ii) Provision for inventory obsolescence

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

iii) Useful lives of property, plant and equipment

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

iv) Impairment of non-financial assets

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

2. BASIS OF PREPARATION (continued)

b) Critical accounting estimates and judgments (continued)

iv) Impairment of non-financial assets (continued)

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

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

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

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

v) Employee benefits – defined benefit obligation

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

vi) Going concern

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

vii) Other assumptions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the amendment to the basis of revenue recognition relating to the commercial and promotional income from the retail business. Such income has been reclassified to the cost of revenues after re-evaluating the contractual terms with the suppliers based on the interpretation of the IFRS 15 “Revenue from contracts with customers” and to align with related industry best practices. Further, during the year, the Group established a Long-Term Incentive Plan for its employees and applied the accounting policy as per the requirements of IFRS 2 “Share-based payment”, as mentioned in note 3 (a) and 3 (b) respectively.

a) Commercial and promotional income

During the year ended December 31, 2020; the management has resolved that such income from suppliers that was historically recognised as part of revenues, does not necessarily represent a distinct performance obligation under interpretations of IFRS 15 “Revenue from contracts with customers”. Accordingly, such income has now been recognised as a reduction of cost of revenue with retrospective application on the comparative amounts as per the requirements of IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” in order to conform to the current presentation.

This adjustment did not have any impact on the Group’s consolidated financial position as at December 31, 2019; or consolidated operating results including gross profit, net profit, basic or diluted earnings per share and consolidated cash flows for the year then ended. Consequently, the reported amounts of Revenues and Cost of revenues for the comparative period have been adjusted as follows:

	<u>December 31, 2019</u>		
	<u>Previously Reported</u>	<u>Effect of adjustment</u>	<u>Adjusted Amount</u>
Revenues	22,243,363	(836,939)	21,406,424
Cost of revenues	<u>(17,739,059)</u>	<u>836,939</u>	<u>(16,902,120)</u>
Gross Profit	<u>4,504,304</u>	<u>--</u>	<u>4,504,304</u>

b) Equity-settled share-based payment

The grant-date fair value of equity-settled share-based payment plan granted to employees is recognised as an expense on a straight-line basis in the statement of profit or loss, with a corresponding increase in equity as ‘Other reserves’, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

c) Business combinations

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Business combinations (continued)

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

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

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

Acquisitions from entities under common control

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

(i) Subsidiaries

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

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

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

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

(ii) Goodwill

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Business combinations (continued)

(ii) Goodwill (continued)

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

(iii) Interests in equity-accounted investees

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

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

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

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

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

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

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

(iv) Non-controlling interests

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Financial assets – initial measurement

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

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

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

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

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

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

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

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

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(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial assets – Business model assessment

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

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

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

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

Financial assets – Subsequent measurement and gains and losses

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

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

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

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

Financial liabilities – Classification, subsequent measurement and gains and losses

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

(iii) Derecognition

Financial assets

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

Financial liabilities

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

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

(iv) Derivatives

Derivative financial instruments and hedge accounting

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

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For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments (continued)

(iv) Derivatives (continued)

Derivative financial instruments and hedge accounting (continued)

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

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

Cash flow hedge

When a derivative is designated as a cash flow hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognized asset or liability i.e. interest rate swaps or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in OCI and accumulated in equity. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of profit or loss within “Finance income or Finance cost”.

Amounts accumulated in equity are reclassified to gain or loss in the periods when the hedged item affects gain or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of commodity value is recognized in the consolidated statement of profit or loss within ‘Cost of revenues’.

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

When a hedging instrument expires, is terminated, is sold or is exercised, or when a hedge no longer meets the criteria for hedge accounting, then hedge accounting is discontinued prospectively. When the hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the equity remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss within “Finance income or Finance cost”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Financial instruments (continued)

(iv) Derivatives (continued)

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The Group only applies fair value hedge accounting for hedging commodity (raw sugar) value risk. The gain or loss relating to the effective portion of the hedging transaction is recognized in the profit or loss within "cost of revenue". The gain or loss relating to the ineffective portion is recognized in the profit or loss within "Finance income or Finance cost". Changes in the fair value of the hedge futures are recognized in the consolidated statement of profit or loss within 'Cost of revenues'.

Other derivatives

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

Offsetting

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

Cash and cash equivalents

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

e) Segment reporting

An operating segment is a component:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Foreign currency translations

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates prevailing at the dates of the respective transactions.

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

(ii) Foreign operations

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

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

Dividends received from foreign associate are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of profit or loss and other comprehensive income.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Foreign currency translations (continued)

(iii) Hyperinflationary economies

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

g) Property, plant and equipment

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Property, plant and equipment (continued)

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

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

The estimated useful lives of assets is as follow:

	<u>Years</u>
Buildings	12.5 - 50
Leasehold improvements	3 - 33
Plant and equipment	3 - 30
Furniture and office equipment	3 - 16
Vehicles	4 - 10

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

h) Intangible assets

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

The useful life of such intangible assets ranges from 25 years to 28 years.

Brand is initially measured at cost. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which it is expected to generate net cash inflows for the Group and is therefore considered to have an indefinite useful life.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Intangible assets (continued)

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

i) Investment property

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

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

j) Inventories

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. In case of retail business, cost of inventory is net of rebates and commercial income which is based on the contractual terms specified in the agreements with suppliers.

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

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

k) Impairment

i. Financial assets

Financial instruments and contract assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment (continued)

i) Financial assets (continued)

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

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

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

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

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

Measurement of ECLs

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

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

Presentation of allowance for ECL in the statement of financial position

Allowances for expected credit loss against financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

ii) Non-financial assets

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Impairment (continued)

ii) Non-financial assets (continued)

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

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

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

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

l) Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefit, will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows using applicable rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Employees' end of service benefits

Defined benefit plan

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

Short-term employee benefits

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

n) Revenues

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

Revenue from sale of goods

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

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

Variable consideration

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

Significant financing component

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Revenues (continued)

Rental income

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

Commission income

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

o) Zakat and taxes

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

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

Foreign subsidiaries are subject to zakat and income taxes in their respective countries of domicile. Such zakat and income taxes are charged to consolidated statement of profit or loss under zakat and income tax expense.

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Finance income and finance cost

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

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

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

q) Dividends

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

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

r) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Leases (continued)

As a lessee (continued)

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

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

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

Lease payments included in the measurement of the lease liability comprise the following:

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

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

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

Short-term leases and leases of low-value assets

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

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4. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Plant and equipment</u>	<u>Furniture and office equipment</u>	<u>Vehicles</u>	<u>Construction work in progress (CWIP)</u>	<u>Total</u>
<u>Cost</u>								
Balance at January 1, 2019	1,355,455	2,576,595	1,700,020	2,533,470	3,058,066	522,748	444,544	12,190,898
Additions	--	7,987	1,922	31,946	26,190	20,649	284,723	373,417
Disposals / write-off	(1,167)	(4,275)	(146,426)	(14,632)	(252,186)	(25,867)	(5,529)	(450,082)
Transfer from CWIP	--	107,890	14,162	112,499	76,485	1,715	(312,751)	--
Category reclassification	(6,250)	(5,390)	--	11,640	--	--	--	--
Hyperinflation adjustment	(30)	(894)	--	(8,566)	(350)	(225)	(68)	(10,133)
Effect of movement in exchange rate	1,548	5,412	2,296	43,963	3,096	2,202	(1,639)	56,878
Other adjustments	--	26,621	--	11,224	--	5,918	--	43,763
Balance at December 31, 2019	<u>1,349,556</u>	<u>2,713,946</u>	<u>1,571,974</u>	<u>2,721,544</u>	<u>2,911,301</u>	<u>527,140</u>	<u>409,280</u>	<u>12,204,741</u>
Balance at January 1, 2020	1,349,556	2,713,946	1,571,974	2,721,544	2,911,301	527,140	409,280	12,204,741
Additions	66,804	5,537	4,316	26,823	52,945	24,696	282,367	463,488
Disposals / write-off	--	(3,913)	(10,318)	(15,018)	(27,667)	(47,470)	--	(104,386)
Transfer from CWIP	--	42,432	17,376	102,146	42,894	1,600	(206,448)	--
Hyperinflation adjustment	27,234	26,014	46	86,753	6,966	1,883	28,646	177,542
Effect of movement in exchange rate	(10,531)	(20,435)	(302)	(61,946)	(6,819)	(3,330)	(45,277)	(148,640)
Balance at December 31, 2020	<u>1,433,063</u>	<u>2,763,581</u>	<u>1,583,092</u>	<u>2,860,302</u>	<u>2,979,620</u>	<u>504,519</u>	<u>468,568</u>	<u>12,592,745</u>

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4. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land</u>	<u>Buildings</u>	<u>Leasehold improvements</u>	<u>Plant and equipment</u>	<u>Furniture and office equipment</u>	<u>Vehicles</u>	<u>Construction work in progress (CWIP)</u>	<u>Total</u>
<u>Accumulated Depreciation / Impairment</u>								
Balance at January 1, 2019	(69,774)	(784,637)	(924,681)	(956,349)	(2,292,036)	(405,233)	(3,395)	(5,436,105)
Depreciation for the year	--	(102,006)	(95,443)	(169,381)	(250,924)	(42,163)	--	(659,917)
Disposals / write-off	--	1,345	129,378	5,378	246,440	24,066	--	406,607
Impairment (loss) / reversal (Note 35)	(12,074)	(7,046)	25,636	--	--	--	--	6,516
Category reclassification	--	(5,467)	--	5,467	--	--	--	--
Hyperinflation adjustment	--	2,042	--	3,141	318	188	--	5,689
Effect of movement in exchange rate	--	1,995	(1,031)	(14,072)	(1,444)	(723)	--	(15,275)
Balance at December 31, 2019	(81,848)	(893,774)	(866,141)	(1,125,816)	(2,297,646)	(423,865)	(3,395)	(5,692,485)
Balance at January 1, 2020	(81,848)	(893,774)	(866,141)	(1,125,816)	(2,297,646)	(423,865)	(3,395)	(5,692,485)
Depreciation for the year	--	(112,183)	(85,591)	(174,902)	(195,442)	(28,852)	--	(596,970)
Disposals / write-off	--	1,668	10,113	11,714	24,989	45,870	--	94,354
Impairment (loss) / reversal (Note 35)	4,731	6,330	(2,412)	--	(4,251)	--	--	4,398
Hyperinflation adjustment	--	(16,783)	(34)	(57,394)	(6,244)	(1,534)	--	(81,989)
Effect of movement in exchange rate	--	8,968	94	27,044	4,600	873	--	41,579
Balance at December 31, 2020	(77,117)	(1,005,774)	(943,971)	(1,319,354)	(2,473,994)	(407,508)	(3,395)	(6,231,113)
<u>Carrying amounts</u>								
December 31, 2019	1,267,708	1,820,172	705,833	1,595,728	613,655	103,275	405,885	6,512,256
December 31, 2020	1,355,946	1,757,807	639,121	1,540,948	505,626	97,011	465,173	6,361,632

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

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5. RIGHT-OF-USE ASSETS

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

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
<u>Cost</u>				
Recognised as at January 1, 2019	866,623	4,089,831	32,465	4,988,919
Addition during the year	17,050	185,289	21,675	224,014
Leases termination / modification	(23,650)	(250,984)	(1,005)	(275,639)
Effect of movement in exchange rate	(722)	(1,130)	(1,276)	(3,128)
Balance at December 31, 2019	<u>859,301</u>	<u>4,023,006</u>	<u>51,859</u>	<u>4,934,166</u>
Balance as at January 1, 2020	859,301	4,023,006	51,859	4,934,166
Addition during the year	1,039	215,741	29,584	246,364
Leases termination / modification	--	(91,851)	(1,747)	(93,598)
Effect of movement in exchange rate	(784)	(618)	(1,017)	(2,419)
Balance at December 31, 2020	<u>859,556</u>	<u>4,146,278</u>	<u>78,679</u>	<u>5,084,513</u>
<u>Accumulated Depreciation</u>				
Balance at January 1, 2019	--	--	--	--
Depreciation for the year	(62,853)	(459,323)	(14,940)	(537,116)
Impairment loss (Note 35)	--	(79,254)	--	(79,254)
Effect of movement in exchange rate	425	680	769	1,874
Balance at December 31, 2019	<u>(62,428)</u>	<u>(537,897)</u>	<u>(14,171)</u>	<u>(614,496)</u>
Balance at January 1, 2020	(62,428)	(537,897)	(14,171)	(614,496)
Depreciation for the year	(72,181)	(426,753)	(19,112)	(518,046)
Leases termination / modification	--	11,226	1,290	12,516
Impairment loss (Note 35)	--	(53,948)	--	(53,948)
Effect of movement in exchange rate	229	611	749	1,589
Balance at December 31, 2020	<u>(134,380)</u>	<u>(1,006,761)</u>	<u>(31,244)</u>	<u>(1,172,385)</u>
<u>Carrying amounts</u>				
December 31, 2019	<u>796,873</u>	<u>3,485,109</u>	<u>37,688</u>	<u>4,319,670</u>
December 31, 2020	<u>725,176</u>	<u>3,139,517</u>	<u>47,435</u>	<u>3,912,128</u>

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6. INTANGIBLE ASSETS AND GOODWILL

The intangible assets and goodwill comprise the following:

	December 31, 2020	December 31, 2019
Goodwill (Note 6.1)	486,835	495,235
Brands (Note 6.2)	252,271	252,271
Customer list (Note 6.2)	72,910	75,610
Distribution network (Note 6.2)	8,141	8,480
	<u>820,157</u>	<u>831,596</u>

6.1 The carrying values of goodwill, after foreign currency translation differences, comprises the following:

	December 31, 2020	December 31, 2019
Savola Industrial Investment Company	145,664	145,664
Giant Stores Trading Company	95,209	95,209
Afia International Company	84,016	84,016
El Maleka for Food Industries Company	69,184	67,571
Afia International Company, Egypt	28,338	27,678
Herfy Foods Services Company	25,330	25,330
KUGU Gida Yatam Ve Ticaret A.S	19,192	23,716
United Sugar Company	14,912	14,912
Notrika Golden Wheat Company	2,709	6,047
Behshahr Industrial Company	2,281	5,092
	<u>486,835</u>	<u>495,235</u>

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

The recoverable amount of a non-financial asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows based on 5 year management's approved plan, discounted to their present value using the growth rates, applicable discount rates and a terminal value percentages. During the year, goodwill has been subject to a net currency translation loss amounting to SR 8.4 million (2019: gain of SR 4.1 million).

6.2 During 2019, the Group completed the Purchase Price Allocation exercise pertaining to the acquisition of Al Kabeer group of companies. Accordingly, property, plant and equipment increased by SR 43.7 million, brands with indefinite useful life and distribution network and customer list with definite useful lives have been recognized at SR 336.4 million. During the year, amortisation on customer list and distribution network was recognised amounting to SR 2.7 million and SR 0.3 million respectively in administrative expenses.

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7. INVESTMENT PROPERTY

	December 31, <u>2020</u>	December 31, <u>2019</u>
Cost		
Balance at beginning of year	58,390	57,512
Additions	311	878
Balance at end of year	58,701	58,390
Accumulated depreciation and impairment		
Balance at beginning of year	(28,509)	(24,334)
Depreciation during the year	(3,515)	(4,175)
Balance at end of year	(32,024)	(28,509)
Carrying amounts	26,677	29,881

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8. EQUITY-ACCOUNTED INVESTEEES

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

<u>Name</u>	<u>Principal business sector</u>	<u>Country of incorporation</u>	<u>Ownership interest (%)</u>		<u>December 31,</u>	
			<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Almarai Company ("Almarai")	Fresh food products	Saudi Arabia	34.52	34.52	8,164,051	7,733,515
Kinan International for Real Estate Development Company ("Kinan")	Real Estate	Saudi Arabia	29.9	29.9	388,514	400,856
United Sugar Company, Egypt ("USCE")	Sugar Manufacturing	Egypt	33.82	33.82	280,854	254,421
Al-Seera City Company for Real Estate Development	Real Estate	Saudi Arabia	40	40	144,138	145,496
United Edible Oils Holding Limited	Holding Company	Cayman Islands	51	51	41,121	47,557
Intaj Capital Limited ("Intaj")	Fund management	Republic of Tunisia	49	49	13,046	27,143
Knowledge Economic City Developers Company	Real Estate	Saudi Arabia	2.07	2.07	15,905	16,059
Seafood International Holdco.	Holding Company	Cayman Islands	50	--	6,507	--
Seafood International One FZCO	Seafood products distribution	UAE	40	40	--	--
					9,054,136	8,625,047

8.1 The direct ownership interest of the Company in USCE is 10.62% (December 31, 2019: 10.62%).

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

	<u>December 31,</u>	
	<u>2020</u>	<u>2019</u>
Balance at beginning of year	8,625,047	8,300,864
Additions	6,011	--
Share in net income, net	704,148	639,357
Fair value reserve adjustment (Note 16)	39,062	(2,699)
Capital distribution from equity accounted investee	(14,097)	(6,819)
Dividends	(306,098)	(306,098)
Other adjustments	63	442
Balance at end of year	9,054,136	8,625,047

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8. EQUITY-ACCOUNTED INVESTEEES (continued)

The following table summarizes the financial information of significant equity-accounted investees:

	<u>Almarai</u>		<u>Kinan</u>		<u>USCE</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Percentage ownership interest	34.52	34.52	29.9	29.9	33.82	33.82
Non-current assets	25,054,849	25,823,338	2,469,990	2,444,684	250,716	233,755
Current assets	7,289,457	7,324,704	434,356	391,089	591,441	482,782
Non-current liabilities	11,435,184	12,164,269	595,798	524,102	2,131	39,168
Current liabilities	4,675,443	5,724,653	281,834	282,858	223,463	205,512
Net assets attributable to shareholders (100%)	15,686,908	14,653,349	1,856,113	1,854,963	616,563	471,857
Group's share of net assets	5,415,121	5,058,336	554,978	554,634	208,522	159,582
Carrying amount of interest in associates	8,164,051	7,733,515	388,514	400,856	280,854	254,421

	<u>Almarai</u>		<u>Kinan</u>		<u>USCE</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue	15,356,948	14,351,277	261,655	424,566	1,308,920	1,163,392
Profit / (loss) from continuing operations attributable to shareholders (100%)	1,984,361	1,811,753	486	17,929	62,821	43,504
Other comprehensive income attributable to shareholders (100%)	(3,764)	25,021	589	483	187	--
Total comprehensive income attributable to shareholders	1,980,597	1,836,774	1,075	18,412	63,008	43,504
Group's share of profit and total comprehensive income	723,970	622,752	320	5,505	26,433	18,584

8.2 As at December 31, 2020, the fair value of Almarai based on quoted market price amounted to SR 18.9 billion (2019: SR 17.1 billion).

8.3 Group also has interest in other equity-accounted investees. With an aggregate carrying value of SR 220.7 million (December 31, 2019: SR 236.3 million). The Company's share of losses from these entities amounted to SR 7.5 million (December 31, 2019: SR 9.7 million).

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9. INVESTMENTS

Investments at December 31 comprise the following:

	<u>December 31,</u> <u>2020</u>	<u>2019</u>
Investments held at fair value through other comprehensive income (note 9.1)	387,196	347,590
Investment at fair value through profit or loss (note 9.3)	2,792	26,516

9.1 Investments held at fair value through other comprehensive income:

	<u>Principal business sector</u>	<u>Country of incorporation</u>	<u>Ownership interest (%)</u> <u>December 31,</u> <u>2020</u>	<u>2019</u>	<u>December 31,</u> <u>2020</u>	<u>2019</u>
<u>Quoted investments</u>						
Knowledge Economic City	Real Estate	Saudi Arabia	6.4	6.4	258,033	215,897
Emaar the Economic City	Real Estate	Saudi Arabia	0.9	0.9	68,555	71,085
Arab Phoenix Holdings Company	Real Estate	Jordan	5	5	--	--
<u>Unquoted investments</u>						
Swicorp Company	Investment Management	Saudi Arabia	15	15	60,608	60,608
Joussour Holding Company (under liquidation)	Holding Company	Saudi Arabia	14.81	14.81	--	--
					387,196	347,590

9.2 Movement in the FVOCI investments is as follows:

	<u>December 31,</u> <u>2020</u>	<u>2019</u>
Balance at beginning of year	347,590	324,204
Fair value reserves adjustment (Note 16)	39,606	23,386
Balance at end of year	387,196	347,590

9.3 This represents investment made by one of the Group's local subsidiary in mutual funds. As at December 31, 2020, an unrealised gain of SR 196 thousand (December 31, 2019: SR 52 thousand) has been recognised in the consolidated statement of profit or loss for the year.

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10. INVENTORIES

	December 31, 2020	December 31, 2019
Finished products	1,771,439	1,605,671
Raw and packing materials	808,350	737,512
Work in process	82,007	79,530
Spare parts and supplies	183,512	199,905
Goods in transit	323,268	224,197
	<u>3,168,576</u>	<u>2,846,815</u>
Less: Provision for obsolescence / slow moving inventories	<u>(101,543)</u>	<u>(94,795)</u>
	<u>3,067,033</u>	<u>2,752,020</u>

Inventories have been reduced by SR 158.1 million (December 31, 2019: SR 127.5 million) as a result of the write-down to net realizable value.

Raw materials include raw sugar having cost of SR 72.5 million (December 31, 2019: SR 106.9 million) which are held under a fair value hedge relationship. As at December 31, 2020, the fair value of these raw sugar amounts to SR 90.6 million (December 31, 2019: SR 124.9 million).

11. TRADE RECEIVABLES

	December 31, 2020	December 31, 2019
Trade receivables	1,277,507	1,270,027
Less: Allowance for expected credit losses	<u>(140,092)</u>	<u>(122,504)</u>
	<u>1,137,415</u>	<u>1,147,523</u>
Due from related parties (Note 28)	44,811	43,134
	<u>1,182,226</u>	<u>1,190,657</u>

Following is the movement of allowance for expected credit losses:

	December 31, 2020	December 31, 2019
Balance at beginning of year	122,504	104,782
Impairment loss for the year, net	30,606	19,656
Reversals	(6,990)	--
Currency translation	(6,028)	(1,934)
Balance at end of year	<u>140,092</u>	<u>122,504</u>

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12. PREPAYMENTS AND OTHER RECEIVABLES

	<u>Note</u>	December 31, 2020	December 31, 2019
Advances to vendors		203,611	299,766
Receivable from government authorities	12.1	177,473	200,441
Prepaid expenses		380,086	195,720
Change in fair value of hedged item (firm commitments)		51,434	34,207
Employee loans and advances		37,219	57,258
Positive fair value of derivatives	12.4	45,759	39,970
Unclaimed dividends		39,462	37,643
Due from related parties	28	26,283	34,726
Non-trade receivable	12.3	36,180	35,951
Custom duty refundable	12.2	10,998	24,122
Prepaid rent		31,614	23,170
Others		71,252	77,221
		1,111,371	1,060,195

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

12.2 Custom duty refundable mainly represents funds with government authorities paid on import of raw material. Further, the balance is net off provision amounting to SR 80.5 million (December 31, 2019: SR 80.5 million) for non-recoverability of certain refunds.

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

12.4 Derivatives:

	December 31, 2020	December 31, 2019
Derivatives – current assets		
Future exchange contracts	45,759	39,970
Derivatives – non-current assets		
Call option (Note ‘c’)	2,311	1,999
Derivatives – current liabilities		
Future exchange contracts	208,110	66,186
Interest rate swaps	--	547
	208,110	66,733
Derivatives – non-current liabilities		
Put option (Note ‘c’)	190,562	188,094

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

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12. PREPAYMENTS AND OTHER RECEIVABLES (continued)

12.4 Derivatives (continued):

(a) Forward and futures

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

(b) Swaps:

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

(c) Options

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

SFC entered into call and put option agreement with European Bank for Reconstruction and Development ("EBRD") during March 2017, in relation to transaction for disposal of stake in USCE. As per the agreement, the option can be exercised as follows:

- Call option: SFC has the right to deliver a call notice to EBRD to purchase all the shares held by EBRD in USCE from the fourth anniversary of the subscription date and ending 6.5 years after the subscription date; and
- Put option: EBRD has the right to deliver a put notice to SFC to sell all the shares held by EBRD in USCE from 6.5 years after the subscription date and ending on the seventh anniversary of the subscription date.

12.5 Derivatives held for other purposes

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

12.6 Derivatives held for hedging purposes

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

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

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12. PREPAYMENTS AND OTHER RECEIVABLES (continued)

12.6 Derivatives held for hedging purposes (continued):

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

December 31, <u>2020</u>	Positive fair <u>value</u>	Negative fair <u>value</u>	<u>Notional amount by term to maturity</u>				
			<u>Notional amount</u>	<u>Within 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<u>Held as fair value hedge</u>							
Commodity futures	30,399	(70,521)	348,190	259,063	77,162	11,965	--
Options	--	(273)	479	479	--	--	--
<u>Held as cash flow hedge</u>							
Commodity futures	15,360	(10,350)	456,059	335,163	117,758	3,138	--
<u>Held as others</u>							
Commodity futures	--	(127,239)	473,702	473,702	--	--	--
Call options	2,311	--	--	--	--	2,311	--
Put Option	--	190,562	--	--	--	190,562	--
<u>Notional amount by term to maturity</u>							
December 31, <u>2019</u>	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>	<u>Within 3 months</u>	<u>3-12 months</u>	<u>1-5 years</u>	<u>Over 5 years</u>
<u>Held as fair value hedge</u>							
Commodity futures	15,606	(52,303)	776,383	636,556	124,971	14,856	--
<u>Held as cash flow hedge</u>							
Interest rate swaps	--	(547)	750,000	750,000	--	--	--
<u>Held as others</u>							
Commodity futures	24,364	(13,883)	1,471,102	740,752	730,350	--	--
Call options	1,999	--	--	--	--	1,999	--
Put Option	--	188,094	--	--	--	188,094	--

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

The Group is exposed to variability in future special commission cash flows on sukuks that carries interest at a variable rate. The Group uses interest rate swaps as hedging instruments which has been entered into with certain commercial banks in order to hedge against the special commission rate risks, which matured on January 22, 2020.

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For the year ended December 31, 2020

(Expressed in thousands of Saudi Riyal unless otherwise stated)

12. PREPAYMENTS AND OTHER RECEIVABLES (continued)

12.6 Derivatives held for hedging purposes (continued)

Movements in the other reserve of cash flow hedges:

	December 31, <u>2020</u>	December 31, <u>2019</u>
Balance at beginning of year	(547)	1,286
Gain / (loss) on changes in fair value recognized directly in equity, net	<u>4,566</u>	<u>(1,833)</u>
Balance at end of year	<u>4,019</u>	<u>(547)</u>

13. CASH AND BANK BALANCES

	December 31, <u>2020</u>	December 31, <u>2019</u>
Cash in hand	27,319	31,998
Cash at bank- current account	557,159	460,077
Term deposits (Note 13.1)	<u>508,900</u>	<u>448,461</u>
Cash and bank balances	1,093,378	940,536
Deposits with maturity more than three months	(480,287)	(405,630)
Bank overdrafts	<u>(116,597)</u>	<u>(37,273)</u>
Cash and cash equivalents for cash flow purposes	<u>496,494</u>	<u>497,633</u>

13.1 Term deposits are held by commercial banks and yield commission income at prevailing market rates.

14. SHARE CAPITAL AND DIVIDEND DECLARATION

At December 31, 2020 and December 31, 2019, the Group's share capital of SR 5.3 billion consists of 533.981 million fully paid shares of SR 10 each.

During the year ended December 31, 2020, the shareholders of the Company approved final dividend amounting to SR 160.19 million representing Saudi Riyal 0.30 per share in the annual general meeting held on April 29, 2020.

Subsequent to year end, the Company's Board of Directors have recommended final dividend amounting to SR 400.49 million representing Saudi Riyal 0.75 per share for the approval by the shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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15. STATUTORY RESERVE

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

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

16. OTHER RESERVES

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

	<u>Note</u>	December 31, 2020	December 31, 2019
Balance at beginning of year		(179,230)	(198,084)
Share in changes in other reserve of associates	8	39,062	(2,699)
Fair value adjustment from FVOCI investments	9	39,606	23,386
Fair value adjustment from derivative financial instruments relating to cash flow hedge	12	4,566	(1,833)
Charge for equity-settled employees' share based payment plan	17	1,411	--
Balance at end of year		<u>(94,585)</u>	<u>(179,230)</u>

17. SHARE BASED PAYMENT ARRANGEMENT

On April 29, 2020, the shareholders of the Company approved the Employees Long Term Incentive Program ("Plan") for the benefit of certain eligible senior executives of the Group (the "Participants"). The Plan entitles the Participants a conditional right to receive a number of restricted share units (each unit equal to the value of one share of the Company at the Grant date), following the satisfaction of service condition.

Significant features of the Plan are as follows:

<u>Description</u>	<u>Details</u>
Grant date	September 10, 2020
Total number of shares granted	341,675
Service / vesting period	3 years
Fair value per share on grant date	SR 49

Fair value per share on grant date is the closing price per share on Tadawul as at the grant date. The total expense recognised for employees' services received during the year ended December 31, 2020 under the Plan amounted to SR 1.4 million (December 31, 2019: SR Nil) and is included in 'salaries and employee related expenses' with a corresponding increase in the consolidated statement of changes in equity under the 'Other reserves'.

During the period ended December 31, 2020, the Group purchased 341,675 treasury shares amounting to SR 16.5 million in connection with the Plan. This includes shares funded by certain subsidiaries that are held by the Company in fiduciary capacity until vesting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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17. SHARE BASED PAYMENT ARRANGEMENT (continued)

As at December 31, 2020, the number of shares to be vested are 276,097, after forfeiture of 65,578 shares due to the non-completion of service condition of certain employees.

18. NON-CONTROLLING INTERESTS

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

<u>December 31, 2020</u>	<u>SFC</u>	<u>Panda</u>	<u>Herfy</u>	<u>Matoun</u>	<u>GFC</u>
Non-current assets	3,077,993	5,674,393	1,581,774	313,092	526,403
Current assets	4,217,097	1,549,782	367,304	21,001	475,427
Non-current liabilities	(1,167,159)	(3,488,697)	(587,693)	(83,063)	(611,769)
Current liabilities	(3,959,715)	(2,789,063)	(401,989)	(51,588)	(109,432)
Net assets (100%)	2,168,216	946,415	959,396	199,442	280,629
Carrying amount of NCI	219,740	--	--	--	201,451
Revenue	8,643,559	11,613,581	1,076,083	36,077	736,797
Profit	341,395	71,268	52,839	6,210	97,993
Other Comprehensive Income ("OCI")	(210,644)	12,615	(17,682)	--	(1,324)
Total comprehensive income (100%)	130,750	83,883	35,156	6,210	96,669
Profit allocated to NCI	30,222	--	--	--	52,232
OCI allocated to NCI	(35,729)	--	--	--	51,583
<u>December 31, 2019</u>	<u>SFC</u>	<u>Panda</u>	<u>Herfy</u>	<u>Matoun</u>	<u>GFC</u>
Non-current assets	3,073,177	6,068,143	1,682,614	334,742	540,576
Current assets	3,793,798	1,442,169	350,848	745	369,827
Non-current liabilities	(875,081)	(3,782,354)	(627,360)	(94,219)	(608,803)
Current liabilities	(3,700,278)	(2,865,638)	(408,116)	(48,036)	(95,433)
Net assets (100%)	2,291,616	862,320	997,986	193,232	206,167
Carrying amount of NCI	251,777	--	--	--	172,074
Revenue	9,209,213	10,659,765	1,288,310	43,599	620,055
Profit / (loss)	344,762	(342,412)	196,088	10,394	62,368
OCI	(57,559)	11,998	(336)	--	(2,074)
Total comprehensive income / (loss) (100%)	287,203	(330,414)	195,752	10,394	60,294
Profit / (loss) allocated to NCI	52,382	--	--	--	32,871
OCI allocated to NCI	(13,321)	--	--	--	32,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

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19. LOANS AND BORROWINGS

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

	December 31, 2020	December 31, 2019
Non-current liabilities		
Secured bank loans	121,757	130,218
Unsecured bond issues (Sukuk) (Note 19.2)	1,000,000	1,000,000
Unsecured bank loans	3,342,544	2,775,027
	<u>4,464,301</u>	<u>3,905,245</u>
Current liabilities		
Current portion of secured bank loans	56,227	60,461
Current portion of unsecured bank loans	502,640	679,321
Unsecured bond issues (Sukuk) (Note 19.2)	--	993,000
Secured bank loans	21,084	69,700
Unsecured bank loans	1,739,467	1,799,495
Bank overdrafts	116,597	37,273
	<u>2,436,015</u>	<u>3,639,250</u>
	<u>6,900,316</u>	<u>7,544,495</u>

Geographical analysis of loans and borrowings is as follows:

Location	Long term loans		Short term Loan		Total loans and borrowings	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Saudi Arabia	4,807,848	5,414,928	1,025,278	1,010,000	5,833,126	6,424,928
Egypt	215,320	223,099	260,419	312,893	475,739	535,992
Algeria	--	--	150,362	211,570	150,362	211,570
Turkey	--	--	216,722	171,968	216,722	171,968
Iran	--	--	88,714	66,803	88,714	66,803
Morocco	--	--	75,055	56,988	75,055	56,988
UAE	--	--	51,369	47,800	51,369	47,800
Sudan	--	--	9,229	28,446	9,229	28,446
	<u>5,023,168</u>	<u>5,638,027</u>	<u>1,877,148</u>	<u>1,906,468</u>	<u>6,900,316</u>	<u>7,544,495</u>

- 19.1 These represent borrowings obtained from commercial banks and other financial institutions by the Parent Company and its subsidiaries. These borrowings are in Saudi Riyals, Egyptian Pounds, Iranian Riyals, US Dollars, Algerian Dinar, Moroccan Dirham, Turkish Lira, United Arab Emirates Dirhams and Sudanese Pounds. Certain of these borrowings are secured by a charge on the property, plant and equipment of certain overseas subsidiaries. Certain loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the borrowings of subsidiaries are secured by corporate guarantees of the Parent Company. As at December 31, 2020, loans and borrowings include sharia-compliant financing facilities amounting to SR 5.9 billion (December 31, 2019: SR 6.5 billion).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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19. LOANS AND BORROWINGS (continued)

- 19.2 On January 22, 2013, the Group completed its initial offering by issuing Sukuk with a total value of SR 1.5 billion with a tenor of 7 years and carrying an expected variable return to the Sukuk-holders of 6 months SIBOR plus 1.10% payable semi-annually. The covenants require certain financial and other conditions to be complied during the tenure. The Sukuk was settled on its maturity i.e. January 22, 2020.

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

- 19.3 Property, plant and equipment amounting to SR 248 million (December 31, 2019: SR 286 million) of certain overseas subsidiaries of the Group are pledged as collateral with commercial banks.
- 19.4 Inventories amounting to SR 98 million (December 31, 2019: SR 62 million) of certain overseas subsidiaries of the Group are pledged as collateral with commercial banks.

20. LEASE LIABILITIES

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	4,632,526	5,040,208
Addition during the year	248,972	231,658
Lease terminated / modified during the year	(95,813)	(261,995)
Interest expense for the year (Note 36)	245,366	261,921
Payments during the year	(664,035)	(639,266)
Currency translation	(1,003)	--
Balance at end of year	<u>4,366,013</u>	<u>4,632,526</u>

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

	December 31, <u>2020</u>	December 31, <u>2019</u>
Lease liabilities – non-current portion	3,723,132	3,955,686
Lease liabilities – current portion	<u>642,881</u>	<u>676,840</u>
	<u>4,366,013</u>	<u>4,632,526</u>

21. EMPLOYEE BENEFITS

General Description of the plan

The Group operates an approved unfunded employees' end of service benefits scheme / plan for its permanent employees as required by the Saudi Arabian Labour law and in accordance with the local statutory requirements of the foreign subsidiaries.

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21. EMPLOYEE BENEFITS (continued)

General Description of the plan (continued)

The amount recognized in the consolidated statement of financial position is determined as follows:

	December 31, 2020	December 31, 2019
Present value of defined benefit obligation	803,870	747,201

An independent actuarial exercise has been conducted as at December 31, 2020 and December 31, 2019 to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Labour Laws of respective jurisdictions by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

Movement in net defined benefit liability

Net defined benefit liability comprises only of defined benefit plans. The movement in the defined benefit obligation during the year is as follows:

	2020	2019
Balance at beginning of year	747,201	719,542
<i>Included in profit or loss</i>		
Current service cost	98,146	91,063
Interest cost	29,135	34,334
	127,281	125,397
<i>Included in other comprehensive income</i>		
<i>Re-measurement loss / (gain):</i>		
Actuarial loss / (gain)	13,640	(16,448)
Effect of movement in exchange rates	(14,863)	(4,458)
Benefits paid	(69,389)	(76,832)
Balance at end of year	803,870	747,201

Actuarial assumptions

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

	December 31, 2020	December 31, 2019
Discount rate	1.25% - 14.5%	3% - 19.4%
Future salary growth / Expected rate of salary increase	2% - 16.5%	3% - 21%
Mortality rate	0.1% - 0.2%	0.1% - 0.2%
Employee turnover / withdrawal rates	2.71% - 13%	3% - 10.28%
Retirement age	60 years	60 years

The weighted average duration of the defined benefit obligation ranges between 6 to 12 years.

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21. EMPLOYEE BENEFITS (continued)

Sensitivity analysis

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

	December 31, 2020		December 31, 2019	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Discount rate (1% movement)	(68,288)	80,491	(47,446)	54,943
Future salary growth (1% movement)	81,059	(70,500)	56,872	(50,069)
Withdrawal rates (10% movement)	(10,670)	11,684	(8,331)	8,783
Future mortality (1 year movement)	474	(449)	675	(660)

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

22. DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Property, plant and equipment	--	--	(97,173)	(85,562)	(97,173)	(85,562)
Provisions	10,705	4,360	(17,018)	(15,450)	(6,313)	(11,090)
Other items	4,657	4,142	(18,860)	(13,733)	(14,203)	(9,591)
Tax losses carry-forward	14,438	3,978	--	--	14,438	3,978
Net tax asset / (liabilities)	<u>29,800</u>	<u>12,480</u>	<u>(133,051)</u>	<u>(114,745)</u>	<u>(103,251)</u>	<u>(102,265)</u>

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

	<u>January 1, 2020</u>	<u>Recognised in profit of loss</u>	<u>Recognised in OCI – CTR</u>	<u>December 31, 2020</u>
Property, plant and equipment	(85,562)	(11,610)	(1)	(97,173)
Provisions	(11,090)	5,057	(280)	(6,313)
Other items	(9,591)	(4,635)	23	(14,203)
Tax carry-forwards	3,978	10,448	12	14,438
	<u>(102,265)</u>	<u>(740)</u>	<u>(246)</u>	<u>(103,251)</u>
	<u>January 1, 2019</u>	<u>Recognised in profit of loss</u>	<u>Recognised in OCI – CTR</u>	<u>December 31, 2019</u>
Property, plant and equipment	(70,840)	(6,111)	(8,611)	(85,562)
Provisions	(9,095)	(1,481)	(514)	(11,090)
Other items	(282)	(10,326)	1,017	(9,591)
Tax carry-forwards	6,815	(2,884)	47	3,978
	<u>(73,402)</u>	<u>(20,802)</u>	<u>(8,061)</u>	<u>(102,265)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23. TRADE PAYABLE

	<u>Note</u>	December 31, 2020	December 31, 2019
Third parties		2,281,397	2,113,044
Related parties	28	193,601	191,828
		<u>2,474,998</u>	<u>2,304,872</u>

24. ACCRUED AND OTHER LIABILITIES

	<u>Note</u>	December 31, 2020	December 31, 2019
Accrued expenses		572,137	450,985
Marketing related accruals		352,782	159,659
Employee related accrual		337,584	290,187
Accrued zakat and tax	25	199,210	242,456
Negative fair value of derivatives	12	208,110	66,733
Accrued utilities		130,303	135,606
Payable to government authorities	24.1	99,820	65,483
Payable to contractors		76,557	94,674
Provision against financial guarantee	24.2	74,295	100,735
Due to related parties	28	74,232	59,452
Accrued financial charges		41,378	101,740
Accrued rent	24.3	38,215	67,338
Advances from customers		36,325	39,284
Change in fair value of hedged item (firm commitments)		29,152	15,724
Unclaimed dividend	24.4	15,261	59,538
Insurance related liabilities		8,930	11,089
Dividend payable to non-controlling interest		3,590	3,631
Other liabilities		332,081	278,639
		<u>2,629,962</u>	<u>2,242,953</u>

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

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

Accordingly, the Company recorded a provision amounting to SR 100.7 million during the year ended December 31, 2018. During the year 2020, the Company made a partial payment amounting to SR 26.4 million against the guarantee.

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

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24. ACCRUED AND OTHER LIABILITIES (continued)

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

25. ZAKAT AND INCOME TAXES

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

	December 31, 2020	December 31, 2019
Foreign income-tax charge	77,542	47,684
Zakat	40,429	35,232
	117,971	82,916
Deferred foreign income-tax charge (Note 22)	740	20,802
	118,711	103,718

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

	December 31, 2020	December 31, 2019
Balance at beginning of year	242,456	228,691
Charge for the year	117,971	82,916
Currency translation / other adjustments	(27,167)	42,808
Payments during the year	(113,047)	(111,959)
Reversals	(21,003)	--
Balance at end of year	199,210	242,456

(a) Zakat status

During the year 2019, the Company has finalised its Zakat status for the years 2005 to 2018. The General Authority for Zakat and Tax (GAZT) conducted a field audit on the Company's accounts for the years 2005 to 2012, and claimed additional Zakat difference of SR 85.8 million. Subsequently, the assessment was agreed with the GAZT Settlement Committee and the Company settled the liability with an amount of SR 10.2 million. Moreover, the years from 2013 to 2018 were also finalized based on amended returns and resulting in assessment of SR 5.4 million. During the year, the GAZT issued a revised claim for the previously finalized years from 2014 to 2018. The management is in the process of filing an objection against the said claim and believes that the settlement of the claim is not probable, therefore no provision has been recorded in these consolidated financial statements. The Company has open years 1999 and 2000, for which there is an ongoing objection of SR 1.9 million against the assessment issued by GAZT.

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25. ZAKAT AND INCOME TAXES (continued)

(a) Zakat status (continued)

Certain subsidiaries in the foods processing sector have also received final or provisional zakat certificates until the year 2019. Accordingly, payment plans have been pursued as per the agreement with GAZT and liabilities were adjusted against the final settlement amounts. Further, during the year the GAZT claimed additional zakat amounting to SR 63 million in relation to a subsidiary for certain years previously finalized. As a result of objection filed by the subsidiary against these claims, the GAZT issued a revised assessment with no additional liability.

Additionally, in one of the Group's subsidiaries, zakat accruals amounting to SR 21 million in relation to the assessment years 2008-2014 were reversed after considering the application of the statute of limitation under the regulations issued by the GAZT.

Also, the Group has pending appeals against assessments of certain subsidiaries with total Zakat differences of SR 7.8 million (December 31, 2019: approximately SR 8.2 million).

(b) Income tax status

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

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

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

26. CONTINGENCIES AND COMMITMENTS

	December 31, <u>2020</u>	December 31, <u>2019</u>
	<u>Amounts in millions</u>	
Letters of credits	79	71
Bank guarantees	86	180
Commitments to buy raw sugar	252	189
Commitments to sell refined sugar	450	333
Capital commitments	47	70
	<u>Quantity in Metric tonnes</u>	
Commitments to buy raw sugar	211,134	174,752
Commitments to sell raw sugar	243,655	199,744

26.1 Also see note 19 with respect to guarantees given for certain loans and note 25 with respect to Zakat contingencies.

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26. CONTINGENCIES AND COMMITMENTS (continued)

26.2 The Group has various operating leases for its offices, warehouses, retail outlets and production facilities. Future rental commitments under these operating leases amounting to SR 31.8 million (December 31, 2019: SR 46.1 million) are payable within one year.

27. EARNINGS PER SHARE

Basic earnings per share for the year ended December 31, 2020 and December 31, 2019 have been computed by dividing the net profit attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding 533.874 million (December 31, 2019: 533.981 million) during such periods.

Diluted earnings per share for the year ended December 31, 2020 and December 31, 2019, have been computed by dividing the profit attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential ordinary shares i.e. 533.981 million (December 31, 2019: 533.981 million).

Weighted average number of ordinary shares for the purpose of computing basic earnings per share are as follows:

	December 31, <u>2020</u>	December 31, <u>2019</u>
Issued ordinary shares	533,980,700	533,980,700
Effect of treasury shares (note 17)	(106,423)	--
Weighted average number of ordinary shares outstanding	<u>533,874,277</u>	<u>533,980,700</u>

28. RELATED PARTIES

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

Transactions with key management personnel

Key management personnel compensation

Compensation to the Group's key management personnel includes salaries, non-cash benefits, and post-employment benefits, in relation to which, the Group has recognized an expense of SR 31.0 million for the year ended December 31, 2020 (December 31, 2019: SR 32.5 million).

Board of Directors' remuneration for the year ended December 31, 2020 amounting to SR 2.2 million (December 31, 2019: SR 2.1 million) has been calculated in accordance with the Company's By-laws and is charged to the consolidated statement of profit and loss. Attendance allowances and other expenses to the directors and members of various board committees amounting to SR 2.4 million (December 31, 2019: SR 3.0 million) are charged to expenses and included under administrative expenses.

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28. RELATED PARTIES (continued)

Other related party transactions

A number of companies transacted with the Group during the year. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on arm's length basis.

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

The aggregate value of related party transactions and outstanding balances are as follows:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>December 31</u>	<u>December 31</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
			<u>2020</u>	<u>2019</u>		
<u>Due from related parties – Trade receivables</u>						
Certain shareholders of USC	Shareholders of a subsidiary	Trade	165,721	131,021	19,506	14,295
Certain shareholders of AIC	Shareholders of a subsidiary	Trade	75,889	70,744	17,761	21,305
Almarai	Associate	Trade	33,778	49,256	4,476	1,495
Western Bakeries Company Limited	Affiliate	Trade	43,585	63,377	3,068	5,449
USCE	Associate	Trade	2,626	--	--	--
Others			--	475	--	590
					<u>44,811</u>	<u>43,134</u>

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28. RELATED PARTIES (continued)

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>December 31</u>	<u>December 31</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
			<u>2020</u>	<u>2019</u>		
<u>Due from related parties – Prepayments and other receivables</u>						
Khairat AlSharq for General Trade and Manufacturing Foodstuff Company	Affiliate	Non-trade	963	19,853	21,590	22,322
Seafood International Holdco.	Joint venture	Non-trade	--	--	--	6,011
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Non-trade	8,507	7,399	3,078	3,159
Seafood International One	Affiliate	Non-trade	2,728	147	--	--
Waste Collection & Recycling Company	Affiliate	Non-trade	5,494	5,945	1,241	3,060
Zohoor Alreef	Affiliate	Non-trade	335	482	374	174
Intaj Capital Limited	Associate	Non-trade	14,097	6,819	--	--
Arabian Centers Company	Affiliate	Non-trade	34,726	52,200	--	--
					26,283	34,726
<u>Due to related parties – Trade payables</u>						
Almarai	Associate	Trade	813,686	753,422	109,769	100,516
Nestle Group	Affiliate	Trade	345,209	383,240	38,563	41,152
Mayar Food Company	Affiliate	Trade	105,880	134,736	22,454	38,243
Del Monte Saudi Arabia Limited	Affiliate	Trade	131,639	70,807	8,152	5,943
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	25,800	22,806	3,714	3,676
USCE	Associate	Trade	23,455	14,167	29	--
Seafood International One	Affiliate	Trade	17,204	28,465	9,375	--
Al Manhal Water Factory Company Limited	Affiliate	Trade	5,834	5,798	1,493	1,157
Al Jazirah Dates & Food Factory	Affiliate	Trade	32	164	52	29
Others			--	17,379	--	1,112
					193,601	191,828

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28. RELATED PARTIES (continued)

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>December 31</u>	<u>December 31</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
			<u>2020</u>	<u>2019</u>		
<u>Due to related parties – Accrued and other liabilities</u>						
USCE	Associate	Non-trade	34,709	49,061	73,937	52,935
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Non-trade	7,200	6,783	--	6,517
Kinan	Associate	Non-trade	33,497	31,377	295	--
Dur Hospitality Company	Affiliate	Non-trade	10,500	10,500	--	--
Del Monte Saudi Arabia	Affiliate	Non-trade	555	3,300	--	--
					74,232	59,452

29. OPERATING SEGMENTS

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

Food processing - includes manufacturing, sale and distribution of Edible oils, Sugar, Pasta and food products.

Retail - includes hyper markets and super market operations;

Food services - includes food products and fast food restaurants' chain operated by Herfy;

Frozen Food - includes manufacturing, wholesale and retail distribution of frozen food products operated by Good Food Company; and

Investments - includes real estate activities, investments in associates, FVTPL, FVOCI and other investments.

The segments which do not meet any of the quantitative thresholds for determining reportable segments, are classified as "Others / Eliminations", which mainly include the eliminations.

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29. OPERATING SEGMENTS (continued)

Performance is measured based on segment profit net of income tax, as included in the internal management reports. Management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis. Information regarding the results of each reportable segment is included below:

<u>December 31, 2020</u>	<u>Reportable Segments</u>					<u>Others / Eliminations</u>	<u>Total</u>
	<u>Food Processing</u>	<u>Retail</u>	<u>Food services</u>	<u>Frozen Food</u>	<u>Investments</u>		
External revenues	8,377,952	11,610,718	1,035,564	677,707	--	--	21,701,941
Inter segment revenue	265,607	2,581	40,519	59,090	36,077	(403,874)	--
Segment Revenue	8,643,559	11,613,299	1,076,083	736,797	36,077	(403,874)	21,701,941
Cost of revenues	(7,355,996)	(8,775,749)	(824,182)	(473,428)	--	367,797	(17,061,558)
Impairment loss, net (Note 35)	--	(49,550)	--	--	--	--	(49,550)
Segment net profit before non-controlling interests	341,395	71,268	50,963	97,993	459,677	--	1,021,296
Segment net profit	311,172	71,268	50,963	97,993	459,677	(80,271)	910,802
Segment assets	7,301,862	7,224,174	1,949,078	1,001,831	14,062,985	(4,481,546)	27,058,384
Segment liabilities	5,133,571	6,277,683	988,927	721,201	5,562,601	(790,153)	17,893,830

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29. OPERATING SEGMENTS (continued)

<u>December 31, 2019</u>	<u>Reportable Segments</u>					<u>Others / Eliminations</u>	<u>Total</u>
	<u>Food Processing</u>	<u>Retail</u>	<u>Food services</u>	<u>Frozen Food</u>	<u>Investments</u>		
External revenues	8,904,804	10,655,964	1,259,294	586,362	--	--	21,406,424
Inter segment revenue	304,409	3,802	29,016	33,693	43,599	(414,519)	--
Segment Revenue	9,209,213	10,659,766	1,288,310	620,055	43,599	(414,519)	21,406,424
Cost of revenues	(7,864,325)	(8,115,341)	(895,673)	(397,702)	--	370,921	(16,902,120)
Impairment loss, net (Note 35)	--	(72,738)	--	--	--	--	(72,738)
Segment net profit / (loss) before non-controlling interests	344,763	(342,412)	194,354	62,368	397,779	--	656,852
Segment net profit / (loss)	292,380	(342,412)	194,354	62,368	397,779	(128,839)	475,630
Segment assets	6,870,235	7,510,918	2,033,463	910,403	13,648,202	(4,315,510)	26,657,711
Segment liabilities	4,578,329	6,648,725	1,035,109	704,236	5,796,953	(644,711)	18,118,641

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30. REVENUE

The Group generates revenue primarily from the sale of goods. Other sources of revenue include rental income and commission income.

<u>December 31, 2020</u>	<u>Reportable Segments</u>					<u>Others / Eliminations</u>	<u>Total</u>
	<u>Food Processing</u>	<u>Retail</u>	<u>Food services</u>	<u>Frozen Food</u>	<u>Investments</u>		
Products transferred at a point in time	8,643,559	11,577,303	1,076,083	736,797	--	(367,797)	21,665,945
Products and services transferred over time	--	35,996	--	--	36,077	(36,077)	35,996
Total revenue	<u>8,643,559</u>	<u>11,613,299</u>	<u>1,076,083</u>	<u>736,797</u>	<u>36,077</u>	<u>(403,874)</u>	<u>21,701,941</u>

<u>December 31, 2019</u>	<u>Reportable Segments</u>					<u>Others / Eliminations</u>	<u>Total</u>
	<u>Food Processing</u>	<u>Retail</u>	<u>Food services</u>	<u>Frozen Food</u>	<u>Investments</u>		
Products transferred at a point in time	9,208,738	10,627,440	1,288,310	620,055	--	(370,920)	21,373,623
Products and services transferred over time	475	32,326	--	--	43,599	(43,599)	32,801
Total revenue	<u>9,209,213</u>	<u>10,659,766</u>	<u>1,288,310</u>	<u>620,055</u>	<u>43,599</u>	<u>(414,519)</u>	<u>21,406,424</u>

31. COST OF REVENUES

	<u>2020</u>	<u>2019</u>
Inventories consumed / sold*	15,253,407	15,044,855
Salaries and employee related expenses	628,101	665,344
Overheads	558,504	549,540
Depreciation and amortisation	405,370	405,706
Freight & handling	216,176	236,675
	<u>17,061,558</u>	<u>16,902,120</u>

* Inventories consumed / sold are net of rebates, commercial and promotional income from retail business (Note 3).

32. SELLING AND DISTRIBUTION EXPENSES

	<u>2020</u>	<u>2019</u>
Salaries and employee related expenses	1,360,515	1,397,496
Depreciation and amortisation	629,950	701,330
Utilities	261,404	245,867
Advertisement	200,715	305,769
Maintenance	95,149	65,438
Rent	94,519	97,223
Commission	48,321	40,316
Insurance	31,820	33,977
Communication	10,404	10,130
Others	48,573	44,140
	<u>2,781,370</u>	<u>2,941,686</u>

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33. ADMINISTRATIVE EXPENSES

	<u>2020</u>	<u>2019</u>
Salaries and employee related expenses	537,834	501,949
Depreciation and amortisation	86,251	94,172
Professional fees	65,786	53,657
IT related cost	29,311	35,790
Utilities, telephone and communication cost	17,886	16,841
Insurance	12,874	17,767
Repairs and maintenance	9,605	8,822
Public relations and advertising	9,539	9,377
Traveling	7,248	15,987
Rent	4,394	4,757
Training	3,366	4,646
Others	68,693	56,515
	<u>852,787</u>	<u>820,280</u>

34. HYPERINFLATIONARY ACCOUNTING

The Group has been closely monitoring the economic conditions in Iran and reviewing qualitative considerations prescribed in IAS 29 – Financial Reporting in Hyperinflationary Economies to establish if the country is under hyperinflation and accordingly the reported amounts of their local operations needs to be adjusted for changes in Consumer Price Index (CPI). Among other consumer behaviours; a significant deterioration in the value of Iranian Rial against USD in foreign exchange markets has also been observed over last three years. Moreover, during the year, the cumulative inflation rate over three years also exceeded 100 percent. In this regard, a reference has been made to inflation data published on International Monetary Fund website by World Economic Outlook and the Statistical Centre of Iran.

The Group has applied the requirements of IAS 29 in preparing and presenting its consolidated financial statements for the year ended December 31, 2020. Furthermore, the Group has operations in Sudan through its subsidiary Savola Edible Oils (Sudan) Ltd., which had been declared as hyperinflationary economy by International Accounting Standard Board (IASB) in 2018, accordingly, the requirements of IAS 29 also remains applicable for the Group's Sudan operations.

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

	<u>Year ended December 31, 2020</u>		
	<u>Iran</u>	<u>Sudan</u>	<u>Total</u>
Revenue (decreased) / increased by	(83,388)	31,093	(52,295)
Profit for the year (decreased) / increased by	(5,278)	4,758	(520)
Total non-current assets increased by	94,728	825	95,553
Currency translation differences impacted by	113,203	(4,134)	109,069

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34. HYPERINFLATIONARY ACCOUNTING (continued)

	<u>Year ended December 31, 2019</u>		
	<u>Iran</u>	<u>Sudan</u>	<u>Total</u>
Revenue decreased by	--	(23,934)	(23,934)
Profit for the year decreased by	--	(12,697)	(12,697)
Total non-current assets decreased by	--	(1,443)	(1,443)
Currency translation differences impacted by	--	8,162	8,162

The conversion factors used for the CPI adjustment for the year ended are given below:

	<u>December</u> <u>31, 2020</u>	<u>December</u> <u>31, 2019</u>
Conversion factor for Iran	1.4570	--
Conversion factor for Sudan	3.6244	1.5908

35. IMPAIRMENT LOSS

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

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

a) *Impairment reversal / loss on recoverable amount of freehold land parcels:*

The Group recognized an impairment reversal of SR 4.7 million on freehold land, due to favorable changes in market dynamics. During the year ended December 31, 2019, the Group recognized an impairment loss of SR 12.1 million, representing the write-down of the carrying amount of these lands to their recoverable amounts due to unfavorable changes in economic environment and market dynamics.

The recoverable amount is based on "comparable" method and was determined at the level of individual assets as identified by management. In determining market value, properties with similar characteristics in the same market area that have recently been sold were selected. Once those properties were found, they were compared to the property in question and an adjustment in value was made for comparative deficiencies and advantages.

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35. IMPAIRMENT LOSS (continued)

b) *Impairment loss on recoverable amount of non-current assets excluding freehold land:*

During the year, the Group has recognised an impairment loss of SR 53.9 million (2019: SR 79.3 million) against right-of-use assets and net impairment loss of SR 0.3 million (2019: reversal of SR 18.6 million) against items of property, plant and equipment, due to changes in economic environment affecting footfall and basket size (Note 4 and Note 5).

Cash flow projections were prepared using budgeted earnings before interest, zakat, depreciation and amortization (EBITDA) taking into account past experience, and following factors:

- (i) Estimated revenue and EBITDA growth for future five years based on expected sales volume and price growth for these years.
- (ii) Estimated improvement in gross margins and EBITDA as a result of improvement plans currently being carried out by the Group.

These cash flows were discounted using a post-zakat discount rate which was estimated using industry average weighted-average cost of capital and cost of debt, with a target debt to equity ratio of 64% at a post Zakat cost of debt of 5.2%.

The recoverable amount is based on “value-in-use” method and was determined at the level of cash generating unit (“CGU”) as identified by management and consists of the net operating assets of each store. In determining value in use for the CGUs, the cash flows (determined using approved five-year business plan and budget) were discounted at a rate of 10.2% to 13.3% on a post-Zakat basis and were projected up to the year 2024.

The key assumptions used for determination of recoverable amounts are as follows:

	<u>2020</u>	<u>2019</u>
Budgeted gross margin	19.3% to 30.2%	22.5% to 29.7%
Weighted average revenue growth rate	-6.6% to 69.9%	-2% to 12%
Operating expenses	7.1% to 45.1%	7.3% to 28.0%
Budgeted EBITDA margins	0.1% to 21.3%	-1.5% to 20.2%
Discount rate	10.2% to 13.3%	10.2%

The calculation of value-in-use is most sensitive to the following key assumptions used:

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

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36. NET FINANCE COST

	<u>2020</u>	<u>2019</u>
Commission income on bank deposits	46,087	54,125
Gain on re-measurement of other commodity futures	33,023	39,253
Positive fair value of options	313	9,037
Finance income	79,423	102,415
Financial charges on borrowings	279,050	429,065
Interest expense on lease liabilities	245,366	261,921
Bank commission	39,832	54,053
Foreign exchange loss, net	41,890	42,708
Negative fair value of options	2,469	497
Loss on re-measurement of other commodity futures	7,870	--
Unwinding of discount on site restoration	4,766	833
Finance cost	621,243	789,077
Net finance cost recognized in profit or loss	541,820	686,662

37. FINANCIAL RISK MANAGEMENT

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

Risk management framework

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

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

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

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

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37. FINANCIAL RISK MANAGEMENT (continued)

Risk management framework (continued)

Financial instruments carried on the consolidated statement of financial position include cash and cash equivalents, trade and other receivables, investments, long term receivables, borrowings, lease liabilities, derivatives, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

Market risk

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

Interest rate risk

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

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

During 2014, the Group entered into Interest Rate Swaps ("IRSs") to partially manage its exposure to interest rate risk on Sukuk issuance value of SR 1.5 billion, up to the extent of SR 750 million. This has been designated as a Cash flow hedge. The IRSs matured on January 22, 2020.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	December 31, <u>2020</u>	December 31, <u>2019</u>
Fixed rate instruments		
Financial assets	<u>472,077</u>	413,609
Financial liabilities	<u>1,555,686</u>	<u>1,236,165</u>
Variable rate instruments		
Financial assets	<u>36,823</u>	34,852
Financial liabilities	<u>5,344,630</u>	<u>6,351,181</u>

Sensitivity analysis for fixed rate instruments

Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before zakat and income tax for the year by SR 11.1 million (December 31, 2019: SR 8 million).

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For the year ended December 31, 2020

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37. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

Sensitivity analysis for variable rate instruments

Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before zakat and income tax for the year by SR 53.3 million (December 31, 2019: SR 66.5 million).

Currency risk

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

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

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

	December 31, 2020					
	US Dollars	Iranian Riyals	Egyptian Pounds	Sudanese Pounds	Turkish Lira	United Arab Emirates Dirhams
Trade receivables	7,336	2,432,828,253	322,541	86,957	250,048	35,155
Other receivables	4,727	1,918,614,600	273,312	62,024	30,889	16,312
Cash and cash equivalents	27,307	12,722,409,580	282,252	881,423	2,911	78,756
	<u>39,370</u>	<u>17,073,852,433</u>	<u>878,105</u>	<u>1,030,404</u>	<u>283,848</u>	<u>130,223</u>
Trade payables	(87,738)	(8,446,462,668)	(414,110)	(264,825)	(60,589)	(19,755)
Other payables	(1,587)	(3,251,401,097)	(787,574)	(46,293)	(17,464)	(29,010)
Loans and borrowings	(4,629)	(5,967,259,717)	(1,275,900)	(660,763)	(424,775)	(22,728)
	<u>(93,954)</u>	<u>(17,665,123,482)</u>	<u>(2,477,584)</u>	<u>(971,881)</u>	<u>(502,828)</u>	<u>(71,493)</u>
Net exposure	<u>(54,584)</u>	<u>(591,271,049)</u>	<u>(1,599,479)</u>	<u>58,523</u>	<u>(218,980)</u>	<u>58,730</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk (continued)

	December 31, 2019					
	US Dollars	Iranian Riyals	Egyptian Pounds	Sudanese Pounds	Turkish Lira	United Arab Emirates Dirhams
Trade receivables	22,578	2,008,037,075	368,714	110,367	223,675	34,083
Other receivables	11,838	18,025,389	325,155	135,925	6,120	2,492
Cash and cash equivalents	9,478	3,108,459,981	247,071	532,778	1,053	72
	43,894	5,134,522,445	940,940	779,070	230,848	36,647
Trade payables	(83,538)	(2,381,970,302)	(380,454)	(46,275)	(66,669)	(18,898)
Other payables	(1,586)	(249,617,632)	(656,513)	(251,669)	(5,512)	(5,120)
Loans and borrowings	(13,184)	(2,013,150,154)	(2,062,955)	(675,025)	(281,260)	(41,239)
	(98,308)	(4,644,738,088)	(3,099,922)	(972,969)	(353,441)	(65,257)
Net exposure	(54,414)	489,784,357	(2,158,982)	(193,899)	(122,593)	(28,610)

Significant exchange rates applied during the year were as follows:

	Average rate		Spot rate	
	For the year ended		As at December 31,	
	December 31,		December 31,	
	2020	2019	2020	2019
Foreign currency per Saudi Riyal				
US Dollars	0.27	0.27	0.27	0.27
Iranian Riyals	48,700	27,145	67,264	30,136
Egyptian Pounds	4.24	4.54	4.19	4.29
Sudanese Pounds	47.67	20.67	71.60	23.73
Turkish Lira	1.73	1.45	1.96	1.51
United Arab Emirates Dirhams	1.02	1.02	1.02	1.02

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

Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase equity and profit before zakat and income tax for the year by SR 6.5 million (December 31, 2019: SR 7.7 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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37. FINANCIAL RISK MANAGEMENT (continued)

Price risk

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

Further, as disclosed in Note 12, the put and call option are periodically valued based on Black Scholes' model using certain assumptions including the sugar prices; the fluctuations of which affects the valuations.

Details of the Group's investment portfolio exposed to price risk, at the reporting date are disclosed in note 9 to these consolidated financial statements. As at December 31, 2020, the Company's overall exposure to price risk is limited to the fair value of those positions.

Sensitivity analysis

The net assets of the Group will increase / (decrease) by SR 3.3 million (December 31, 2019: SR 2.9 million) if the prices of quoted equity vary due to increase / decrease in fair values by 1% with all other factors held constant.

Credit risk

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

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37. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The Group's maximum exposure to credit risk at the reporting date is as follows:

	December 31, 2020	December 31, 2019
Financial assets		
Long term receivables	7,547	7,268
Trade receivables	1,322,318	1,313,161
Other receivables	271,165	326,263
Derivatives	48,070	41,969
Investment at fair value through profit or loss	2,792	26,516
Bank balances	1,066,059	908,538
	<u>2,717,951</u>	<u>2,623,715</u>

Trade receivables are carried net of allowance for Expected Credit Losses.

As at the reporting date, receivable overdue for more than six months amounted to SR 129.6 million (December 31, 2019: SR 145.6 million). The total allowance for Expected Credit Losses ("ECL") at December 31, 2020 amounted to SR 140.1 million (December 31, 2019: SR 122.5 million). There were no past due or impaired receivables from related parties other than SR 4 million receivable from an investee company, Jousour Holding Company. "Related Parties". Company has recorded full impairment against the said receivable balance.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship and type of product purchased.

The following table provides information about the exposure to credit risk for trade and long-term receivables as at December 31:

	Gross carrying amount December 31, 2020	December 31, 2019
Current (not past due)	687,396	915,526
1–30 days past due	298,644	146,563
31–60 days past due	157,672	46,899
61–90 days past due	38,781	45,792
More than 90 days past due	147,372	165,649
Total	<u>1,329,865</u>	<u>1,320,429</u>

Loss rates are based on historical credit loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

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37. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Other receivables

Impairment on other receivables has been measured on a life-time expected loss basis and reflects the short maturities of the exposures having low credit risk.

Cash and cash equivalent

Impairment on cash and cash equivalents has been measured on a life-time expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Concentration Risk

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

	December 31, <u>2020</u>	December 31, <u>2019</u>
Wholesale / Retail	818,921	871,568
Manufacturing	221,475	253,767
Exports	147,135	73,622
Others	142,334	121,472
	1,329,865	1,320,429
Less: Allowance for Expected Credit Losses	(140,092)	(122,504)
	<u>1,189,773</u>	<u>1,197,925</u>

The maximum exposure to credit risk for trade and long-term receivables by geographic region is as follows:

	December 31, <u>2020</u>	December 31, <u>2019</u>
Saudi Arabia	925,902	802,999
Turkey	141,577	150,233
Egypt	106,461	129,526
Iran	20,171	78,476
UAE	35,953	34,857
Other Regions	99,801	124,338
	1,329,865	1,320,429
Less: Allowance for Expected Credit Losses	(140,092)	(122,504)
	<u>1,189,773</u>	<u>1,197,925</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

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

The Group's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. For this purpose, the Group has maintained credit lines with various commercial banks in order to meet its liquidity requirements. As at December 31, 2020, the Group has unused bank financing facilities amounting to SR 4.8 billion (December 31, 2019: SR 5.3 billion) to manage the short term and the long term liquidity requirements.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

		Contractual cash flows				
<u>December 31, 2020</u>	<u>Carrying Amount</u>	<u>Less than 6 months</u>	<u>6 months to 1 year</u>	<u>1 year to 3 years</u>	<u>3 years to 5 years</u>	<u>More than 5 years</u>
<u><i>Non-derivative financial liabilities</i></u>						
Loans and borrowings	6,900,316	2,227,904	366,962	1,374,446	590,396	2,832,313
Lease liabilities	4,366,013	311,499	309,257	1,137,645	1,011,536	2,896,954
Trade payables	2,474,998	2,474,998	--	--	--	--
Accrued and other liabilities	2,051,407	2,051,407	--	--	--	--
Unclaimed dividends	263,853	263,853	--	--	--	--
	<u>16,056,587</u>	<u>7,329,661</u>	<u>676,219</u>	<u>2,512,091</u>	<u>1,601,932</u>	<u>5,729,267</u>
<u><i>Derivative financial liabilities</i></u>						
Derivative contracts used for hedging	80,871	77,736	3,135	--	--	--
Put Option	190,562	--	--	197,203	--	--
Other derivative contracts not for hedging	127,239	127,239	--	--	--	--
	<u>398,672</u>	<u>204,975</u>	<u>3,135</u>	<u>197,203</u>	<u>--</u>	<u>--</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount with the exception of unclaimed dividend. Accordingly, it has been classified as such.

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37. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

		Contractual cash flows				
<u>December 31, 2019</u>	<u>Carrying Amount</u>	<u>Less than 6 months</u>	<u>6 months to 1 year</u>	<u>1 year to 3 years</u>	<u>3 years to 5 years</u>	<u>More than 5 years</u>
<i>Non-derivative financial liabilities</i>						
Loans and borrowings	7,544,495	3,442,283	890,424	1,648,431	780,344	1,931,556
Lease liabilities	4,632,526	321,673	304,398	1,163,518	1,075,268	3,067,968
Trade payables	2,304,872	2,304,872	--	--	--	--
Accrued and other liabilities	1,810,967	1,810,967	--	--	--	--
Unclaimed dividends	263,684	263,684	--	--	--	--
	<u>16,556,544</u>	<u>8,143,479</u>	<u>1,194,822</u>	<u>2,811,949</u>	<u>1,855,612</u>	<u>4,999,524</u>
<i>Derivative financial liabilities</i>						
Interest rate swaps used for hedging – (asset)	547	547	--	--	--	--
Derivative contracts used for hedging	52,303	49,481	1,235	960	289	--
Put Option	188,094	--	--	--	207,848	--
Other derivative contracts not for hedging	13,883	3,756	3,841	6,287	--	--
	<u>254,827</u>	<u>53,784</u>	<u>5,076</u>	<u>7,247</u>	<u>208,137</u>	<u>--</u>

Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

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37. FINANCIAL RISK MANAGEMENT (continued)

Fair value of assets and liabilities (continued)

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

As the Group's financial instruments are compiled under the historical cost convention, except for FVOCI investments, FVTPL investments, inventory and firm commitments under fair value relationships, and derivative financial instruments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

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37. FINANCIAL RISK MANAGEMENT (continued)

Fair value of assets and liabilities (continued)

	Carrying amount				Fair Value			
	Mandatorily at FVTPL - others	Designated at fair value	Hedging instruments	FVOCI	Level 1	Level 2	Level 3	Total
<u>December 31, 2020</u>								
<i>Financial assets measured at fair value</i>								
Investment at fair value through profit or loss	2,792	--	--	--	2,792	--	--	2,792
Future exchange contracts used for hedging	--	--	45,759	--	--	45,759	--	45,759
Call option	--	2,311	--	--	--	--	2,311	2,311
Equity securities (Note 9)	--	--	--	387,196	326,588	--	60,608	387,196
	<u>2,792</u>	<u>2,311</u>	<u>45,759</u>	<u>387,196</u>	<u>329,380</u>	<u>45,759</u>	<u>62,919</u>	<u>438,058</u>
<i>Financial liabilities measured at fair value</i>								
Future exchange contracts used for hedging	--	--	80,871	--	--	80,871	--	80,871
Other future exchange contracts	--	127,239	--	--	--	127,239	--	127,239
Put option	--	190,562	--	--	--	--	190,562	190,562
	<u>--</u>	<u>317,801</u>	<u>80,871</u>	<u>--</u>	<u>--</u>	<u>208,110</u>	<u>190,562</u>	<u>398,672</u>

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

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37. FINANCIAL RISK MANAGEMENT (continued)

Fair value of assets and liabilities (continued)

	Carrying amount				Fair Value			
	Mandatorily at FVTPL - others	Designated at fair value	Hedging instruments	FVOCI	Level 1	Level 2	Level 3	Total
<u>December 31, 2019</u>								
<i>Financial assets measured at fair value</i>								
Investment at fair value through profit or loss	26,516	--	--	--	26,516	--	--	26,516
Future exchange contracts used for hedging	--	--	15,606	--	--	15,606	--	15,606
Other future exchange contracts	--	24,364	--	--	--	24,364	--	24,364
Call option	--	1,999	--	--	--	--	1,999	1,999
Equity securities (Note 9)	--	--	--	347,590	286,982	--	60,608	347,590
	<u>26,516</u>	<u>26,363</u>	<u>15,606</u>	<u>347,590</u>	<u>313,498</u>	<u>39,970</u>	<u>62,607</u>	<u>416,075</u>
<i>Financial liabilities measured at fair value</i>								
Interest rate swaps used for hedging	--	--	547	--	--	547	--	547
Future exchange contracts used for hedging	--	--	52,303	--	--	52,303	--	52,303
Other future exchange contracts	--	13,883	--	--	--	13,883	--	13,883
Put option	--	188,094	--	--	--	--	188,094	188,094
	<u>--</u>	<u>201,977</u>	<u>52,850</u>	<u>--</u>	<u>--</u>	<u>66,733</u>	<u>188,094</u>	<u>254,827</u>

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37. FINANCIAL RISK MANAGEMENT (continued)

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair value, as well as significant unobservable input used.

Financial instruments measured at fair value

<u>Type</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurements</u>
Equity securities	Market comparison technique. PE multiple, Price to Book value.	Price Earnings Multiples, Price to Book value and Price to Tangible Book Value.	Not applicable
Future contracts	Broker quotes	Not applicable	Not applicable
Call and Put Option	Black Scholes Model	Strike price Volatility of Sugar index Spot price (fair value)	Increase in fair value will decrease the Put Option and increase the Call option values. Increase in volatility index will increase the value of Put and Call options.
Interest rate swaps	DCF	Not applicable	Not applicable

38. CAPITAL MANAGEMENT

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

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a leverage ratio, which is calculated as total liabilities (as shown in the statement of financial position) less cash and cash equivalent. Adjusted equity comprises all components of equity other than amounts accumulated in the hedging reserves. The leverage ratio as at December 31, 2020 and December 31, 2019 is as follows:

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38. CAPITAL MANAGEMENT (continued)

	December 31, 2020	December 31, 2019
Total liabilities	17,893,830	18,118,641
Less: Cash and bank balances	(1,093,378)	(940,536)
Adjusted net liabilities	16,800,452	17,178,105
Total equity	9,164,554	8,539,070
Less: Hedging reserve	(4,019)	547
Adjusted equity	9,160,535	8,539,617
Adjusted net liabilities to adjusted equity ratio	1.83	2.01

39. NEW STANDARDS OR AMENDMENTS FOR 2019 AND FORTHCOMING REQUIREMENTS

There are no new standards issued, however, the adoption of the following amendments to the existing standards had no significant financial impact on the consolidated financial statements of the Group on the current year or prior years and is expected to have no significant effect in future periods:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendment to IFRS 3);
- Definition of Material (Amendment to IAS 1 and IAS 8);
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7); and
- COVID-19 Related Rent Concession (Amendments to IFRS 16).

PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning on or after January 1, 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
- Onerous Contracts – Cost of Fulfilling a Contract (Amendment to IAS 37);
- Annual Improvements to IFRS Standards 2018-2020;
- Property, Plant and Equipment: Proceeds from Intended Use (Amendment to IAS 16);
- Reference to the Conceptual Framework (Amendment to IFRS 3);
- IFRS 17 Insurance Contracts;
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1); and
- Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (Amendments to IFRS 10 and IAS 28)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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40. IMPACT OF COVID-19

The existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activity. In response to the spread of COVID-19 and its resulting disruptions to the social and economic activities, the Group's management has assigned a task force to assess and monitor the possible impact on its business in Saudi Arabia and other geographies where Group operates. The management has also taken a series of preventive measures to ensure the health and safety of its employees, customers and wider community as well as to ensure the continuity of its operations. The Group's retail, food processing and frozen food segments have reported favorable results and consequently management believes that COVID-19 had limited impact on the reported financial position and results for the year ended December 31, 2020.

Currently, many countries, including countries where the Group is operating, are constantly addressing the continued increase in recorded cases of COVID-19 and the implications to the economy. COVID-19 is an evolving situation, the Group is monitoring closely any material impacts to the operations and continuity of business activities. The priority of the Group remains to protect the health, safety and welfare of employees, customers, and partners, as well as support the Government and its agencies as they work to reduce the impact of the outbreak.

At this stage, the Group is unable to reliably estimate the future impact of COVID-19, given the lack of certainty on possible end date of the pandemic or vaccination of large part of community that could continue impacting the world economies. However, the Group is constantly monitoring the situation through its Task Force given with the responsibility to constantly assess developing events, mitigate as much as possible negative impact and steer the organisation towards adapting to current realities. Accordingly, the potential risks around supply of material, manpower, inventory levels and minimum interruptions to the production facilities across all geographies are being constantly monitored and the stakeholders are being kept informed for any material deviations on a timely basis.

41. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Company's Board of Directors on Shaban 3, 1442H, corresponding to March 16, 2021.