SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED
FINANCIAL STATEMENTS
For the year ended December 31, 2018
together with the Independent Auditors' Report

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS – FOR THE YEAR ENDED DECEMBER 31, 2018

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Independent Auditors' Report

To the Shareholders of Savola Group Company

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Independent Auditors' Report

To the Shareholders of Savola Group Company (continued)

Impairment testing of goodwill and items of property, plant and equipment

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

Key audit matter

As at December 31, 2018, the carrying value of goodwill amounted to SR 906 million (2017: SR 514 million). Further, as at December 31, 2018, the carrying value of property, plant and equipment amounted to SR 6,755 million (2017: SR 7,562 million). Impairment loss recognised during the year amounted to SR 200 million (2017: SR 222 million).

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

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

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

How the matter was addressed in our audit

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

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

Independent Auditors' Report

To the Shareholders of Savola Group Company (continued)

Valuation of equity-accounted investees

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

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

Independent Auditors' Report

To the Shareholders of Savola Group Company (continued)

Valuation of Inventories

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

Key audit matter

As at December 31, 2018, the Group's inventories balance was SR 2,631 million (2017: SR 3,190 million) net of allowance for slow moving inventories of SR 98 million (2017: SR 87 million).

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

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

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

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;
- Tested management's control over the establishment of the hedging relationship, monitoring hedge effectiveness and appropriateness of assumptions used in developing mark to market values of derivatives at the reporting date including the exchange-quoted prices and other direct and indirectly observable inputs;
- Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

Independent Auditors' Report

To the Shareholders of Savola Group Company (continued)

Revenue recognition

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

Key audit matter

During the year ended December 31, 2018, the Group recognized total revenue of SR 21,815 million (2017: SR 23,830 million).

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

Further, the Group adopted IFRS 15 "Revenue from contracts with customers" with effect from January 1, 2018 and this new standard supersedes the requirements of IAS 18 "Revenue".

Management performed a detailed analysis of each type of revenue contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with the separation of different performance obligations that may exist within a given contract.

Management also assessed the additional disclosures required to be made by the new standard in the consolidated financial statements.

Revenue recognition is considered a key audit matter in view of the risk that management may override controls to intentionally misstate revenue transactions in order to achieve financials targets, either through adjusting estimates at the period end or recording fictitious transactions in the business. Further, the application of IFRS 15 requires judgment by management and the use of significant assumptions.

How the matter was addressed in our audit

We performed the following procedures in relation to revenue recognition and implementation of IFRS 15:

- Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards;
- Assessed the design and implementation, and tested the effectiveness of the Group's controls, including anti-fraud controls, over the recognition of revenue as per the Group's policy;
- Evaluated key contractual arrangements including rebates and returns arrangements by considering relevant documentation and agreements with the customers;
- Inspected a sample of sales transactions taking place before and after the year-end to assess whether revenue was recognized in the correct accounting period;
- Developed an expectation of the current year revenue based on trend analysis information, taking into account sales volume, average prices and our understanding of each market segment. We then compared this expectation to actual revenue and, where relevant, completed further inquiries and testing; and
- Tested topside journal entries posted to the revenue journal in order to identify unusual or irregular items.
- Reviewed management's detailed analysis of its various revenue streams and how the new accounting standard impacts the Group;
- Gained an understanding of management's approach to the implementation of any changes to the accounting policy on adoption of IFRS 15;
- Obtained an understanding of the nature of revenue contracts used by the Group for each significant revenue stream, tested a sample of representative sales contracts to confirm our understanding and assess whether or not management's application of IFRS 15 requirements was in accordance with the accounting standard;
- Considered the adequacy of the disclosure in the Group's consolidated financial statements as per the applicable accounting standard.

Independent Auditors' Report

To the Shareholders of Savola Group Company (continued)

Implementation of IFRS 9 "Financial instruments"

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

Key audit matter

The Group adopted IFRS 9 “Financial Instruments” with effect from January 1, 2018 and this new standard supersedes the requirements of IAS 39 "Financial instruments - recognition and measurement".

IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. Management has determined that the most significant impact of the new standard on the Group's financial statements relates to the calculation of the allowance for the impairment of trade receivables and designation and classification of Group’s investments at fair value through other comprehensive income (FVOCI) and investments at fair value through profit and loss (FVTPL).

As at December 31, 2018, the carrying value of Group’s investments at FVOCI and investment at FVTPL amount to SR 324 million (2017: SR 472 million and SR 31 million (2017: Nil) respectively. Further, as at December 31, 2018, the carrying value of trade receivables amounted to SR 1,074 million (2017: SR 971 million) and the allowance for impairment of trade receivables amounted to SR 105 million (2017: SR 80 million).

The Group assesses at each reporting date whether the financial assets carried at amortised cost are credit-impaired. The Group’s management has applied a simplified expected credit loss ("ECL") model to determine the allowance for impairment of trade receivables. The ECL model involves the use of various assumptions, macro-economic factors and study of historical trends relating to the Group's trade receivables collections experience.

We considered this a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model.

How the matter was addressed in our audit

We performed the following procedures in relation to the implementation of IFRS 9:

- Reviewed management's assessment of the impact of IFRS 9 in terms of the classification and measurement of its financial assets and liabilities, and understood the approach taken towards implementation. We specifically considered the validity of management's conclusion that the main area of impact was in respect of trade receivables impairment and designation and classification of Group’s investments at fair value through other comprehensive income (FVOCI) and investments at fair value through profit and loss (FVTPL);
- Compared the ECL model to the requirements of the standard and reviewed the reasonableness of the methodology in comparison to accepted best practice. We also tested the arithmetical accuracy of the model;
- Tested key assumptions, such as those used to calculate the likelihood of default and the subsequent loss on default by comparing to historical data. We also considered the incorporation of forward looking factors (predominantly economic) to reflect the impact of future events on excepted credit losses;
- Involved our internal accounting subject matter specialists to review the methodology and assumptions used in the ECL model;
- We also reviewed the adequacy the relevant disclosures in the Group’s consolidated financial statements.

Independent Auditors' Report

To the Shareholders of Savola Group Company (continued)

Other Information

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

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

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

Independent Auditors' Report

To the Shareholders of Savola Group Company (continued)

Auditors' 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 auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

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

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

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

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No: 382

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

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

The notes on pages from 8 to 84 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	Year ended December 31	
Continuing operations:		**2018**	2017
Revenues	30	**21,814,563**	23,830,475
Cost of revenues	31	**(17,916,606)**	(19,436,360)
Gross profit		**3,897,957**	4,394,115
Share of results in investment in equity-accounted investees, net of zakat and tax and dividend income	9&10	**574,742**	752,382
Administrative expenses	32	**(793,640)**	(751,429)
Selling and distribution expenses	33	**(3,202,189)**	(3,369,798)
Impairment loss	35	**(199,550)**	(222,024)
Results from operating activities		**277,320**	803,246
Finance income		**70,463**	137,631
Finance cost		**(606,512)**	(526,525)
Net finance cost	36	**(536,049)**	(388,894)
Other expenses	26	**(100,735)**	--
Gain on disposal of investment	9&10	**3,269**	693,943
Gain on disposal of leasehold rights		**--**	68,144
(Loss) / profit before zakat and income tax		**(356,195)**	1,176,439
Zakat and income tax expense	25	**(102,074)**	(71,925)
(Loss) / profit from continuing operations		**(458,269)**	1,104,514
Discontinued operation:			
Gain from discontinued operation, net of tax	15	**--**	15,605
Net (loss) / profit for the year		**(458,269)**	1,120,119
Other Comprehensive Income			
Items that will not be reclassified to profit or loss			
Re-measurements of the defined benefit liability	21	**(14,143)**	(13,746)
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		**(575,942)**	(434,384)
Investment in equity accounted investees - share of Other Comprehensive Income	18	**27,094**	57,018
Cash flow hedges – effective portion of changes in fair value	18	**6,021**	(7,707)
Investments - net change in fair value	18	**(122,550)**	(140,914)
Other comprehensive loss, net of tax		**(679,520)**	(539,733)
Total comprehensive (loss) / income for the year		**(1,137,789)**	580,386

The notes on pages from 8 to 84 form an integral part of these consolidated financial statements.

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)

	Note	Year ended December 31	
		2018	2017
(Loss) / profit for the year attributable to:			
Owners of the Company		**(520,380)**	1,025,618
Non-controlling interests		**62,111**	94,501
(Loss) / profit for the year		**(458,269)**	1,120,119
Total comprehensive (loss) / income for the year attributable to:			
Owners of the Company		**(1,106,915)**	567,469
Non-controlling interests		**(30,874)**	12,917
Total comprehensive (loss) / income for the year		**(1,137,789)**	580,386
(Loss) / earnings per share attributable to the Owners of the Company (in Saudi Riyals):			
Basic and diluted	27	**(0.97)**	1.92
(Loss) / earnings per share – Continuing operations attributable to the Owners of the Company (in Saudi Riyals):			
Basic and diluted	27	**(0.97)**	1.88

The notes on pages from 8 to 84 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, 2018
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Shareholders of the Parent Company										
	Share capital	Share premium	Statutory reserve	General reserve	Fair value reserve	Effect of transactions with non-controlling interests without change in control	Foreign Currency translation reserve	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2017	5,339,807	342,974	1,774,085	4,000	(32,023)	(171,375)	(926,287)	1,885,843	8,217,024	1,032,810	9,249,834
Total comprehensive income for the year											
Net profit for the year	--	--	--	--	--	--	--	1,025,618	1,025,618	94,501	1,120,119
Other comprehensive loss	--	--	--	--	(85,558)	--	(362,086)	(10,505)	(458,149)	(81,584)	(539,733)
Total comprehensive income / loss	--	--	--	--	(85,558)	--	(362,086)	1,015,113	567,469	12,917	580,386
Transactions with owners of the Company											
Dividends	--	--	--	--	--	--	--	--	--	(112,448)	(112,448)
Transaction with non-controlling interest without change in control	--	--	--	--	--	9,777	--	--	9,777	--	9,777
Other changes / movements											
Deconsolidation of USCE (Note 15)	--	--	--	--	--	--	27,864	--	27,864	(34,913)	(7,049)
Directors' remuneration	--	--	--	--	--	--	--	(2,200)	(2,200)	--	(2,200)
Other changes in non-controlling interest	--	--	--	--	8,932	--	--	--	8,932	(19,252)	(10,320)
Balance at December 31, 2017	5,339,807	342,974	1,774,085	4,000	(108,649)	(161,598)	(1,260,509)	2,898,756	8,828,866	879,114	9,707,980

The notes on pages from 8 to 84 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, 2018
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Shareholders of the Parent Company										
	Share capital	Share premium	Statutory reserve	General reserve	Fair value reserve	Effect of transactions with non-controlling interests without change in control	Foreign Currency translation reserve	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2018 - as previously reported	**5,339,807**	**342,974**	**1,774,085**	**4,000**	**(108,649)**	**(161,598)**	**(1,260,509)**	**2,898,756**	**8,828,866**	**879,114**	**9,707,980**
Adjustment from adoption of IFRS 9 (Note 4)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(34,146)**	**(34,146)**	**(6,184)**	**(40,330)**
Balance at January 1, 2018 – restated	**5,339,807**	**342,974**	**1,774,085**	**4,000**	**(108,649)**	**(161,598)**	**(1,260,509)**	**2,864,610**	**8,794,720**	**872,930**	**9,667,650**
Total comprehensive income / (loss) for the year											
Net (loss) / profit for the year	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(520,380)**	**(520,380)**	**62,111**	**(458,269)**
Other comprehensive loss	**--**	**--**	**--**	**--**	**(89,435)**	**--**	**(484,107)**	**(12,993)**	**(586,535)**	**(92,985)**	**(679,520)**
Total comprehensive (loss) / income	**--**	**--**	**--**	**--**	**(89,435)**	**--**	**(484,107)**	**(533,373)**	**(1,106,915)**	**(30,874)**	**(1,137,789)**
Dividends	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**(533,981)**	**(533,981)**	**(113,750)**	**(647,731)**
Other changes / movements											
Transaction with non-controlling interest without change in control	**--**	**--**	**--**	**--**	**--**	**(15,825)**	**--**	**--**	**(15,825)**	**15,825**	**--**
Acquisition of subsidiary with NCI (Note 1 & 5)	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**150,367**	**150,367**
Other changes	**--**	**--**	**--**	**--**	**--**	**(10,556)**	**--**	**--**	**(10,556)**	**--**	**(10,556)**
Balance at December 31, 2018	**5,339,807**	**342,974**	**1,774,085**	**4,000**	**(198,084)**	**(187,979)**	**(1,744,616)**	**1,797,256**	**7,127,443**	**894,498**	**8,021,941**

The notes on pages from 8 to 84 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2018	2017
Cash flows from operating activities			
Net (loss) / profit for the year		**(458,269)**	1,120,119
Adjustments for:			
Depreciation	6&8	**762,138**	805,292
Net finance cost	36	**536,049**	388,894
Share of results in investment in equity accounted investees, net of zakat and tax and dividend income	9	**(574,742)**	(752,382)
Gain on sale of discontinued operation	15	**--**	(30,482)
Gain on disposal of investment	10	**(3,269)**	(693,943)
Impairment loss	35	**199,550**	222,024
Provision against financial guarantee	26	**100,735**	--
Gain on disposal of leasehold rights		**--**	(68,144)
(Gain) / loss on sale of property, plant and equipment		**(7,301)**	26,579
Provision for employee benefits	21	**108,685**	104,656
Zakat and income tax expense	25	**102,074**	71,925
		765,650	1,194,538
Changes in:			
Inventories		**240,264**	49,747
Trade receivables		**(275,732)**	225,289
Prepayments and other receivables		**(121,981)**	17,772
Trade payables		**48,485**	22,292
Accrued and other liabilities		**438,356**	70,564
Cash generated from operating activities		**1,095,042**	1,580,202
Finance cost paid		**(440,027)**	(335,636)
Zakat and income tax paid		**(59,622)**	(42,843)
Employee benefits paid	21	**(76,185)**	(56,386)
Net cash from operating activities		**519,208**	1,145,337
Cash flows from investing activities			
Acquisition of property, plant and equipment	6&8	**(394,425)**	(672,839)
Proceeds from sale of property, plant and equipment		**36,249**	35,058
Proceeds from disposal of leasehold rights		**--**	80,800
Acquisition of investment	9	**--**	(70,781)
Acquisition of subsidiary, net of cash acquired	5	**(558,102)**	--
Proceeds from sale of investment	9&10	**28,022**	1,120,000
Capital distribution from equity accounted investee	9	**5,716**	16,076
Net change in long term receivable		**--**	(67,807)
Net change in FVTPL investments	10	**(30,888)**	--
Net change in deferred tax asset		**10,503**	876
Dividends received	9&10	**258,914**	273,499
Net cash (used in) / from investing activities		**(644,011)**	714,882
Cash flows from financing activities			
Net change in loans and borrowings - current		**(65,829)**	(726,092)
Net change in loans and borrowings - non-current		**740,351**	(939,162)
Dividends paid		**(526,364)**	(7,911)
Net change in deferred tax liability		**25,215**	8,789
Dividend paid to non-controlling interests		**(113,750)**	(112,448)
Net cash from / (used in) financing activities		**59,623**	(1,776,824)

The notes on pages from 8 to 84 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended December 31
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	2018	2017
Net change in cash and cash equivalents		**(65,180)**	83,395
Effect of movement in exchange rates on cash and cash equivalents		**(320,818)**	(190,086)
Cash and cash equivalents at beginning of the year		**1,298,117**	1,404,808
Adjustment from adoption of IFRS 9	4	**(10,546)**	--
Cash and cash equivalents	14	**901,573**	1,298,117
Supplemental schedule of non-cash financial information:			
Fair value reserve		**(89,435)**	(76,626)
Foreign currency translation reserve		**(575,942)**	(434,384)
Effect of transaction with non-controlling interest without change in control		**(26,381)**	9,777
Actuarial reserve	21	**(14,143)**	(13,746)
Directors' remuneration		**--**	(2,200)

The notes on pages from 8 to 84 form an integral part of these consolidated financial statements.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION

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

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

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

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

At December 31, 2018, the Company had investments in the following subsidiaries (collectively referred to as the "Group"):

(I) Direct subsidiaries of the Company

i) Operating subsidiaries

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(I) Direct subsidiaries of the Company (continued)

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

ii) Dormant and Holding subsidiaries

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

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company

The Parent Company has a 100% (December 31, 2017: 100%) ownership interest in Savola Foods Company ("SFC"), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 236/G dated Dhul Qadah 21, 1435H (September 16, 2014). Prior to its conversion to a closed joint stock company, SFC was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 4030180782 issued in Jeddah on Rajab 5,1429H (July 8, 2008).

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

Subsidiaries controlled through Savola Foods Company:

Subsidiary name	**Country of incorporation**	**Principal business activity**	**Ownership interest (%)**	
			December 31, 2018	December 31, 2017
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of edible oils	**95.19**	95.19
Savola Industrial Investment Company ("SIIC")	Saudi Arabia	Holding company	**100**	95
El Maleka for Food Industries Company	Egypt	Manufacturing of pasta	**100**	100
El Farasha for Food Industries Company	Egypt	Manufacturing of pasta	**100**	100
Savola Foods Emerging Markets Company	British Virgin Islands (BVI)	Holding company	**95.43**	95.43
Afia International Distribution and Marketing Company	Saudi Arabia	Trading and distribution	**99**	99
Savola Foods for Sugar Company	Cayman Islands	Holding company	**95**	95
Savola Foods Company International Limited	United Arab Emirates (UAE)	Holding company	**100**	100
International Foods Industries Company ("IFI")*	Saudi Arabia	Manufacturing of specialty fats	**100**	75
Seafood International Two FZCO	UAE	Seafood products trading and distribution	**60**	60
Afia Foods Arabia	Saudi Arabia	Dormant company	**100**	100
Al Maoun International Holding Company ("Al Maoun")	Saudi Arabia	Holding company	**100**	100
Marasina International Real Estate Investment ("Marasina")	Saudi Arabia	Holding company	**100**	100

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

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

a) Subsidiaries controlled through Afia International Company:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%) December 31, 2018	December 31, 2017
Savola Behshahr Company ("SBeC")	Iran	Holding company	**90**	90
Malintra Holdings	Luxembourg	Dormant company	**100**	100
Savola Foods Limited ("SFL")	BVI	Holding company	**100**	100
Afia International Company – Jordan	Jordan	Dormant company	**97.4**	97.4
Inveskz Inc.	BVI	Dormant company	**90**	90
Afia Trading International	BVI	Dormant company	**100**	100
Savola Foods International	BVI	Dormant company	**100**	100
KUGU Gida Yatum Ve Ticaret A.S ("KUGU")	Turkey	Holding company	**100**	100
Aseel Food – Hold Co.	Cayman Islands	Holding company	**100**	100
SBeC				
Behshahr Industrial Company	Iran	Manufacturing of edible oils	**79.9**	79.9
Tolue Pakshe Aftab Company	Iran	Trading and distribution	**100**	100
Savola Behshahr Sugar Company	Iran	Trading and distribution	**100**	100
Notrika Golden Wheat Company	Iran	Manufacturing of Food and confectionery	**90**	90
SFL				
Afia International Company, Egypt	Egypt	Manufacturing of edible oils	**99.95**	99.95
KUGU				
Savola Gida Sanayi Ve Ticaret Anonim Sirketi	Turkey	Manufacturing of edible oils	**100**	100

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

b) Subsidiaries controlled through Savola Industrial Investment Company:

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

c) Subsidiaries controlled through Savola Foods Emerging Markets Company:

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

d) Subsidiary controlled through Savola Foods Company International:

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

e) Subsidiary controlled through Al Maoun and Marasina

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(III) Panda Retail Company

The Parent Company has a 97.55% (December 31, 2017: 91%) ownership interest in Panda Retail Company ("Panda"), which was incorporated as a closed Saudi joint stock company pursuant to Ministerial Resolution No. 235/G dated Rajab 22, 1431H (July 3, 2010). Prior to its conversion to a closed joint stock company, Panda was operating as a limited liability company registered in the Kingdom of Saudi Arabia under commercial registration number 1010137417 issued in Riyadh on Rabi-ul-Awal 1, 1416H (July 28, 1995).

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

Subsidiaries controlled through Panda:

Subsidiary name	Country of incorporation	Principal business activity	Ownership interest (%)	
			December 31, 2018	December 31, 2017
Giant Stores Trading Company	Saudi Arabia	Retail	**100**	90
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services and maintenance	**100**	100
Panda International for Retail Trading	Egypt	Retail	**100**	100
Panda International Retail Trading*	UAE	Liquidated	**--**	100
Panda Bakeries Company	Saudi Arabia	Bakery	**100**	100
Giant				
Lebanese Sweets and Bakeries	Saudi Arabia	Dormant company	**95**	95

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(IV) Good Food Company

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

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

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

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

Subsidiaries controlled through Al Kabeer Holding Limited:

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

2. BASIS OF PREPARATION

a) Statement of compliance

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

i) Accounting convention / Basis of Measurement

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

ii) Functional and presentation currency

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

b) Critical accounting estimates and judgments

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

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

Judgments

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) Business combinations

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

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

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

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

Acquisitions from entities under common control

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

(i) Subsidiaries

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Business combinations (continued)

(i) Subsidiaries (continued)

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

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

(ii) Goodwill

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

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

(iii) Interests in equity accounted investees

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

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method (equity accounted investees), which are initially recognized at cost including goodwill identified on acquisition. The Company's share in its investees' post-acquisition income and losses is recognized in the profit or loss and its share in post-acquisition movements in reserves is recognized in the Group's Other Comprehensive Income (OCI).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Business combinations (continued)

(iii) Interests in equity accounted investees (continued)

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

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

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

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

(iv) Non-controlling interests

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

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

b) Financial instruments

(i) Recognition and initial measurement

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

(ii) Classification and subsequent measurement

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

- 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: Policy applicable from 1 January 2018

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

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

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

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

Financial assets – Policy applicable before 1 January 2018

The Group classified its financial assets into one of the following categories:

- loans and receivables;
- available for sale; and

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

(ii) Classification and subsequent measurement (continued)

- at FVTPL, and within this category as:
  - held for trading;
  - derivative hedging instruments; or
  - designated as at FVTPL.

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

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

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

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

Financial liabilities – Classification, subsequent measurement and gains and losses

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

(iii) Derecognition

Financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

(iii) Derecognition (continued)

Financial liabilities

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

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

(iv) Derivative financial instruments and hedge accounting

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

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

Cash flow hedge

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

(iv) Derivative financial instruments and hedge accounting (continued)

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

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss within "Finance income or Finance cost".

Fair value hedge

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

Other non-trading derivatives

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

Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, the derivatives which are classified as FVTPL were disclosed as held for trading in comparative period.

Offsetting

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

(iv) Derivative financial instruments and hedge accounting (continued)

Cash and cash equivalents

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

c) Segment reporting

An operating segment is a component:

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

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

d) Foreign currency translations

(i) Foreign currency transactions

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

(ii) Foreign operations

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Foreign currency translations (continued)

(ii) Foreign operations (continued)

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

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

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

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

(iii) Hyperinflationary economies

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property, plant and equipment

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

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

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

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

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

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

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

The estimated useful lives of assets is as follow:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property, plant and equipment (continued)

f) Intangible assets

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

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

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

g) Investment property

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

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

h) Inventories

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Assets and liabilities classified as held for sale

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

A discontinued operation is a component (cash generating unit) of an entity that either has been disposed of or is classified as held for sale and:

- represents a major business line or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major business line or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resell.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period; whereas, the statement of financial position for the comparative period is not restated.

j) Impairment

i. Financial assets

Policy applicable from 1 January 2018

Financial instruments and contract assets

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Impairment (continued)

i. Financial assets (continued)

Measurement of ECLs

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

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

Policy applicable before 1 January 2018

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognized in the profit or loss.

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

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

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

ii. Non-financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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 a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

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

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

k) Provisions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Employees' end of service benefits

Defined benefit plan

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

Short-term employee benefits

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

m) Revenues

Policy applicable before 1 January 2018

Revenue is recognized to the extent of the following recognition requirements:

- it is probable that the economic benefits will flow to the Group,
- it can be reliably measured, regardless of when the payment is being made, and
- the cost incurred to date and expected future costs are identifiable and can be measured reliably.

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

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

Rental income
Rental income is recognized on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Revenues (continued)

Promotional and display income
Promotional and display income is comprised of income earned from promotion and display of various products by vendors within the Group's retail stores and is recognized in the period it is earned.

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

Policy applicable from 1 January 2018

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Zakat and taxes

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

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

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

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

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

o) Finance income and finance cost

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Dividends

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

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

q) Leases

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

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

A. IFRS 15 Revenue from Contracts with Customers

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

B. IFRS 9 Financial instruments

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

B. IFRS 9 Financial instruments (continued)

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

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

4. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (continued)

B. IFRS 9 Financial instruments (continued)

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

5. ACQUISITION OF SUBSIDIARY

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

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

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

5. ACQUISITION OF SUBSIDIARY (continued)

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

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

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

b) Certain property, plant and equipment of the Group overseas subsidiaries amounting to SR 237.9 million (2017: SR 233.9 million) are pledged as collateral with commercial banks (Note 20).

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7. GOODWILL

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

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

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

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

8. INVESTMENT PROPERTY

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

9. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

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

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

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

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

9. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)

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

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

9. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)

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

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

10. INVESTMENTS

Investments at December 31, comprise the following:

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

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

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

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

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10. INVESTMENTS (continued)

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

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

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

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

11. INVENTORIES

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

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

12. TRADE RECEIVABLES

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

Following is the movement of Impairment loss:

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

13. PREPAYMENTS AND OTHER RECEIVABLES

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

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

13. PREPAYMENTS AND OTHER RECEIVABLES (continued)

13.4 Derivatives:

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

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

(a) Forward and futures

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

(b) Swaps:

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

(c) Options

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

As described in note 1, Savola Food Company (SFC) has entered into call and put option agreement with EBRD in relation to transaction for disposal of stake in USCE. As per the agreement, the option can be exercised as follows:

(Expressed in thousands of Saudi Riyal unless otherwise stated)

13. PREPAYMENTS AND OTHER RECEIVABLES (continued)

13.4 Derivatives (continued):

(c) *Options (continued)*

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

13.5 Derivatives held for other purposes

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

13.6 Derivatives held for hedging purposes

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

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

13. PREPAYMENTS AND OTHER RECEIVABLES (continued)

13.6 Derivatives held for hedging purposes (continued)

December 31, 2017	Positive fair value	Negative fair value	Notional amount	Notional amount by term to maturity: Within 3 months	3-12 months	1-5 years	Over 5 years
Held as fair value hedge							
Commodity futures	18,076	(43,738)	833,633	636,553	196,043	1,037	--
Held as cash flow hedge							
Interest rate swaps	--	(4,735)	750,000	--	--	750,000	--
Held as others							
Commodity futures	51,043	(18,371)	1,530,905	923,546	482,094	125,264	--
Call options	10,240	--	--	--	--	10,240	--
Put Option	--	159,979	--	--	--	--	159,979

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

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

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

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

Below is the schedule indicating, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

13. PREPAYMENTS AND OTHER RECEIVABLES (continued)

13.6 Derivatives held for hedging purposes (continued)

Movements in the other reserve of cash flow hedges:

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

14 CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Cash in hand	**35,163**	32,989
Cash at bank- current account	**366,190**	525,454
Short term deposits (Note 14.1)	**500,220**	739,674
	901,573	1,298,117

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

15 DISCONTINUED OPERATION

During March 2016, as part of the Group's strategic assessment of its core operations; the Group’s and other shareholders’ of USCE signed a Shareholders’ Agreement to increase the paid up share capital of USCE in the form of participation by a new shareholder, European Bank for Reconstruction and Development (“EBRD”).

On March 28, 2017, consequent to completion of all legal formalities; ownership of the Group in USCE was diluted after the issuance of new shares, resulting in the loss of control over USCE and accordingly, deconsolidated from the books of the Group resulting in the recognition of a net gain amounting to SR 30.48 million in the consolidated statement of profit or loss and other comprehensive income. This gain is the net of the put and call options valuing SR 99.73 million, which entitles EBRD to sell USCE shares to the shareholders at the agreed price as per the Put and Call option agreement (“the Agreement”) during the period stipulated in the agreement.

Further, at reporting date, the put and call options had been re-measured at fair value using “Black Scholes” model and changes therein have been recognised under finance cost amounting to SR 37.15 million (December 31, 2017: SR 60.25 million) and SR 7.74 million (December 31, 2017: SR 10.24 million income), respectively.

The Group continues to have significant influence over the strategic, operational and financial activities of USCE and the Group’s retained effective ownership interest of 33.82% in USCE is recognized as ‘investment in equity accounted investees’ at fair value as at the date of the transaction.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

15. DISCONTINUED OPERATION (continued)

Details of gain / (loss) from discontinued operations are as follows:

	March 28, 2017
Revenues	359,820
Expenses	(373,730)
Loss before foreign income taxes	(13,910)
Foreign income tax	(967)
Results from operating activities, net of tax	(14,877)
Gain on sale of discontinued operation, net	30,482
Gain from discontinued operation, net of tax	15,605
Gain / (loss) from discontinued operation attributable to:	
Owners of the Company	21,320
Non-controlling interests	(5,715)
	15,605
Basic and diluted earnings per share (in Saudi Riyals)	0.04

16 SHARE CAPITAL

At December 31, 2018 , the Group's share capital of SR 5.3 billion consists of 533.981 million fully paid shares of SR 10 each (December 31, 2017, SR 5.3 billion consisting of 533.981 million fully paid shares of SR 10 each).

17 STATUTORY RESERVE

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

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

18 FAIR VALUE RESERVE

Fair value reserve includes share of reserve of associates, FVOCI investments (December 31, 2017: AFS investments) and cash flow hedge. Movement in fair value reserve is as follows:

	Note	**December 31, 2018**	December 31, 2017
Balance at beginning of year		**(108,649)**	(32,023)
Share in changes in other reserve of associates	9	**27,094**	57,018
Fair value adjustment from FVOCI investments	10	**(122,550)**	--
Fair value adjustment from AFS investments		**--**	(134,869)
Fair value adjustment from derivative financial instruments relating to cash flow hedge	13	**6,021**	(7,707)
Other adjustments		**--**	8,932
Balance at end of year		**(198,084)**	(108,649)

(Expressed in thousands of Saudi Riyal unless otherwise stated)

19 NON–CONTROLLING INTERESTS

The following table summarizes the information relating to each of the Group's subsidiaries that has material NCI, before any intra group eliminations:

December 31, 2018	**SFC**	**Panda**	**Herfy**	**Matoun**	**GFC ***
Non-current assets	**2,751,619**	**3,026,021**	**1,103,257**	**249,840**	**547,174**
Current assets	**4,035,923**	**1,476,315**	**339,143**	**77,313**	**293,021**
Non-current liabilities	**(584,783)**	**(1,047,484)**	**(210,876)**	**(13,391)**	**(636,719)**
Current liabilities	**(3,984,924)**	**(3,062,322)**	**(298,656)**	**(30,924)**	**(57,411)**
Net assets (100%)	**2,217,835**	**392,530**	**932,868**	**282,838**	**146,065**
Carrying amount of NCI	**226,351**	**--**	**--**	**--**	**150,367**
Revenue	**9,735,472**	**11,114,241**	**1,227,270**	**47,035**	**180,374**
Profit / (loss)	**(17,272)**	**(917,429)**	**204,169**	**13,123**	**(4,227)**
OCI	**(574,244)**	**(9,629)**	**(439)**	**--**	**(922)**
Total comprehensive income / (loss) (100%)	**(591,716)**	**(927,058)**	**203,730**	**13,123**	**(5,149)**
Profit / (loss) allocated to NCI	**(1,102)**	**--**	**--**	**--**	**167**
OCI allocated to NCI	**(86,807)**	**--**	**--**	**--**	**(452)**

December 31, 2017	SFC	Panda	Herfy	Matoun	GFC
Non-current assets	3,083,659	3,681,150	1,085,283	263,948	--
Current assets	5,210,904	1,745,147	305,394	53,068	--
Non-current liabilities	(755,961)	(1,558,261)	(254,981)	(16,615)	--
Current liabilities	(4,315,043)	(3,545,884)	(268,846)	(30,686)	--
Net assets (100%)	3,223,559	322,152	866,850	269,715	--
Carrying amount of NCI	368,932	(304)	--	--	--
Revenue	11,384,220	11,644,147	1,157,793	45,338	--
Profit / (loss)	689,840	(1,019,184)	200,042	14,252	--
OCI	(445,755)	(616)	(156)	--	--
Total comprehensive income (100%)	244,085	(1,019,800)	199,886	14,252	--
Profit / (loss) allocated to NCI	83,249	(3,083)	--	--	--
OCI allocated to NCI	(77,582)	4	--	--	--

* The Group acquired control over the operating entities within Good Food Company on October 31, 2018. Accordingly, the financial information related to Good Food Company is only for the period from October 31, 2018 to December 31, 2018 in these consolidated financial statements (Note 5).

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20 LOANS AND BORROWINGS

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

	December 31, 2018	December 31, 2017
Non-current liabilities		
Secured bank loans	**98,808**	162,550
Unsecured Sukuk (Note 20.2)	**1,500,000**	1,500,000
Unsecured bank loans	**2,667,188**	1,866,884
	4,265,996	3,529,434
Current liabilities		
Current portion of secured bank loans	**167,922**	35,322
Current portion of unsecured bank loans	**970,310**	843,109
Secured bank loans	**200,250**	221,585
Unsecured bank loans	**2,294,839**	2,664,825
Bank overdrafts	**56,594**	102,587
	3,689,915	3,867,428
	7,955,911	7,396,862

Geographical analysis of loans and borrowings is as follows:

Location	**Long term loans**		**Short term Loan**		**Total loans & borrowing**	
	2018	2017	**2018**	2017	**2018**	2017
Saudi Arabia	**5,191,852**	4,176,140	**1,745,000**	2,294,124	**6,936,852**	6,470,264
Egypt	**211,788**	211,389	**344,056**	318,268	**555,844**	529,657
Iran	**--**	--	**48,667**	100,075	**48,667**	100,075
Turkey	**--**	15,619	**146,839**	83,769	**146,839**	99,388
Sudan	**588**	4,717	**31,770**	40,323	**32,358**	45,040
Morocco	**--**	--	**8,502**	38,812	**8,502**	38,812
UAE	**--**	--	**96,444**	--	**96,444**	--
Algeria	**--**	--	**130,405**	113,626	**130,405**	113,626
	5,404,228	4,407,865	**2,551,683**	2,988,997	**7,955,911**	7,396,862

20.1 These represent borrowings obtained from commercial banks and other financial institutions by the Parent Company and its consolidated subsidiaries. These borrowings are in Saudi Riyals, Egyptian Pounds, Iranian Riyals, US Dollars, Algerian Dinar, Turkish Lira, United Arab Emirates Dirhams and Sudanese Pounds. Secured bank loans represent borrowing which are secured by charge on assets, including property, plant and equipment and inventories of certain overseas subsidiaries and does not include borrowings which are secured by corporate guarantee. The loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the long-term borrowings of subsidiaries are covered by corporate guarantees of the Parent Company.

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

21 EMPLOYEE BENEFITS

General Description of the plan

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

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

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	**719,542**	663,732

An independent actuarial exercise has been conducted as at December 31, 2017 and December 31, 2018 to ensure the adequacy of provision for employees' end of service benefits in accordance with the rules stated under the Saudi Arabian Labour Law by using the Projected Unit Credit Method as required under International Accounting Standards 19: Employee Benefits.

Movement in net defined benefit liability

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

	December 31, 2018	December 31, 2017
Balance at beginning of year	**663,732**	609,251
Acquisition through Business acquisition (Note 5)	**41,031**	--
Included in profit or loss		
Current service cost	**78,589**	74,234
Interest cost	**30,096**	30,422
	108,685	104,656
Included in other comprehensive income		
Re-measurement loss:		
Actuarial loss	**14,143**	13,746
Effect of movement in exchange rates	**(31,992)**	(8,443)
Benefits paid	**(76,185)**	(56,386)
Adjustment related to transferred employees	**128**	908
Balance at end of year	**719,542**	663,732

Actuarial assumptions

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

	December 31, 2018	December 31, 2017
Discount rate	**4% - 21%**	4% - 20.25%
Future salary growth / Expected rate of salary increase	**3% - 23%**	6% - 21%
Mortality rate	**0.1% - 0.32%**	0.1% - 0.5%
Employee turnover / withdrawal rates	**3% - 19.35%**	6% - 17%
Retirement age	**60 years**	60 years

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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, 2018		December 31, 2017	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(48,764)**	**46,555**	(47,689)	55,494
Future salary growth (1% movement)	**48,678**	**(51,365)**	56,442	(49,477)
Withdrawal rates (10% movement)	**(9,190)**	**8,679**	(6,509)	7,231
Future mortality (1 year set back/ forward)	**281**	**(283)**	702	(922)

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

22 DEFERRED TAX

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2018	2017	**2018**	2017	**2018**	2017
Property, plant and equipment	**--**	--	**(70,840)**	(58,749)	**(70,840)**	(58,749)
Provisions	**4,091**	1,854	**(13,186)**	(1,003)	**(9,095)**	851
Other items	**6,887**	6,030	**(7,169)**	(6,816)	**(282)**	(786)
Tax carry-forwards	**6,815**	20,412	**--**	--	**6,815**	20,412
Net tax asset / (liabilities)	**17,793**	28,296	**(91,195)**	(66,568)	**(73,402)**	(38,272)

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

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

	January 1, 2017	Recognised in profit or loss	Recognised in OCI – CTR	December 31, 2017
Property, plant and equipment	(49,124)	(5,959)	(3,666)	(58,749)
Provisions	(15)	777	89	851
Other items	8,345	(9,595)	464	(786)
Tax carry-forwards	13,546	6,631	235	20,412
	(27,248)	(8,146)	(2,878)	(38,272)

(Expressed in thousands of Saudi Riyal unless otherwise stated)

23 TRADE PAYABLE

	Note	**December 31, 2018**	December 31, 2017
Third parties		**2,221,791**	2,328,817
Related parties	28	**169,237**	206,648
		2,391,028	2,535,465

24 ACCRUED AND OTHER LIABILITIES

	Note	**December 31, 2018**	December 31, 2017
Accrued expenses		**500,391**	504,208
Employee related accrual		**236,675**	184,482
Accrued zakat and tax	25	**228,691**	253,265
Accrued utilities		**146,667**	132,887
Accrued rent	24.1	**146,272**	39,448
Marketing related accruals		**137,301**	167,648
Payable to contractors		**122,097**	174,651
Provision against financial guarantee	26.1	**100,735**	--
Payable to government authorities	24.2	**87,462**	224,820
Accrued financial charges		**81,453**	51,642
Negative fair value of derivatives	13	**79,644**	51,697
Unclaimed dividend	24.3	**60,016**	48,037
Due to related parties	28	**37,824**	10,278
VAT payable		**23,989**	--
Payable to Margarine Company	24.4	**21,962**	46,864
Change in fair value of hedged item (firm commitments)		**15,145**	15,838
Insurance related liabilities		**15,110**	16,168
Advances from customers		**9,848**	29,516
Dividend payable to non-controlling interest		**2,988**	36,116
Other liabilities		**227,771**	240,621
		2,282,041	2,228,186

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

24.2 Payable to government authorities represents estimated payments to be made to government authorities related to custom duties, subsidies and price differences on edible oil purchases.

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

25 ZAKAT AND INCOME TAXES

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

	December 31, 2018	December 31, 2017
Current foreign income-tax charge	**49,489**	50,972
Zakat	**18,043**	12,807
	67,532	63,779
Deferred foreign income-tax charge: (Note 22)	**34,542**	8,146
	102,074	71,925

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

	December 31, 2018	December 31, 2017
Balance at beginning of year	**253,265**	282,863
Charge for the year	**67,532**	63,779
Currency translation adjustment	**(32,484)**	(23,241)
Payments / adjustment during the year	**(59,622)**	(70,136)
Balance at end of year	**228,691**	253,265

(a) Zakat status

The Company has finalised its Zakat status up to the year 1998. The Company has an ongoing objection against the Zakat assessment issued by the General Authority of Zakat and Income Tax (GAZT) for the years 1999 and 2000 which showed Zakat differences of SR 1.9 million.

The assessments for the years 2001 to 2004 have been finalized. For the years 2005 to 2012, GAZT conducted a field audit on the Company's accounts and claimed additional Zakat difference of SR 85.8 million. The Company has objected the GAZT claim. The Company also filed the Zakat returns for the years 2013 to 2017.

The Company’s Saudi subsidiaries received final zakat certificates for certain years and provisional zakat certificates for other years. They have also received queries from the GAZT for the open years, for which replies have been / will be filed by the respective companies. Some Saudi subsidiaries received assessments from the GAZT concerning their zakat declarations for the years 2005 to 2012, in which the GAZT assessed additional zakat liabilities of approximately SR 10 million (December 31, 2017: SR 17.7 million). The subsidiaries have appealed against such additional assessments.

(b) Income tax status

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

25. ZAKAT AND INCOME TAXES (continued)

(b) Income tax status (continued)

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, 2018	December 31, 2017
Letters of credits	**163**	91
Bank guarantees	**247**	239
Corporate guarantee (Note 26.1)	**--**	101
Commitments to buy raw sugar	**350**	345
Commitments to sell refined sugar	**323**	694
Capital commitments	**99**	257
	Quantity in Metric tonnes	
Commitments to buy raw sugar	**306,259**	262,300
Commitments to sell raw sugar	**323,204**	360,478

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

Accordingly, the Company has recorded a provision amounting to SR 100.7 million as at December 31, 2018.

26.2 Also see note 20 with respect to guarantees given for certain loans and note 25 with respect to Zakat contingencies.

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

	December 31, 2018	December 31, 2017
Within one year	**631,942**	760,860
Between two and five years	**2,305,617**	2,623,012
More than five years	**3,977,613**	4,726,507
Total	**6,915,172**	8,110,379

27 EARNINGS PER SHARE

Basic earnings per share for the year ended December 31, 2018 have been computed by dividing the net profit / (loss) and profit / (loss) from continuing operations attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding 533.981 million (December 31, 2017: 533.981 million) during such periods.

Diluted earnings per share for the year ended December 31, 2018 and December 31, 2017, have been computed by dividing the net profit / (loss) and profit / (loss) from continuing operations attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential ordinary shares. However, in the absence of any convertible liability, the diluted earnings per share does not differ from the basic earnings per share.

28 RELATED PARTIES

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

Transactions with key management personnel

Key management personnel compensation
Compensation to the Group's key management personnel includes salaries, non-cash benefits, and post-employment benefits, in relation to which, the Group has recognized an expense of SR 30.35 million for the year ended December 31, 2018 (December 31, 2017: SR 25.07 million).

Board of Directors' remuneration for the year ended December 31, 2018 amounting to SR 2.2 million (December 31, 2017: SR 2.2 million) has been calculated in accordance with the Company's By-laws and is charged to the consolidated statement of profit and loss and was considered as appropriation in the prior year. Attendance allowances and other expenses to the directors and members of various board committees amounting to SR 2.73 million (December 31, 2017: SR 2.77 million) are charged to expenses and included under administrative expenses.

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

28. RELATED PARTIES (continued)

Name	Relationship	Nature of transactions	Amount of transactions December 31, 2018	Amount of transactions December 31, 2017	Closing balance December 31, 2018	Closing balance December 31, 2017
Due from related parties – Trade receivables						
Certain shareholders of USC	Shareholders of a subsidiary	Trade	**179,542**	308,900	**22,372**	31,054
Certain shareholders of AIC	Shareholders of a subsidiary	Trade	**59,937**	79,755	**15,469**	9,129
Almarai	Associate	Trade	**61,145**	79,432	**3,593**	5,014
Western Bakeries Company Limited	Affiliate	Trade	**29,368**	26,391	**1,596**	1,852
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Trade	**--**	1,736	**--**	--
Others			**107**	77	**2,095**	3,525
					45,125	50,574
Due from related parties – Prepayments and other receivables						
Kinan (Note 28.1)	Associate	Non-trade	**--**	53,020	**73,015**	82,363
Arabian Centers Company	Shareholder of a subsidiary	Non-trade	**43,901**	--	**7,513**	--
Seafood International Holdco.	Joint venture	Non-trade	**--**	6,011	**6,011**	6,011
Khairat AlSharq for General Trade and Manufacturing Foodstuff Company (formerly: Bonus Foods Company)	Affiliate	Non-trade	**1,664**	1,104	**2,768**	1,104
Intaj	Associate	Non-trade	**5,716**	16,076	**--**	--
Seafood International One FZCO	Associate	Non-trade	**--**	12,761	**--**	14,907
Joussour Holding Company	Investee	Non-trade	**--**	3,750	**--**	--
Del Monte Saudi Arabia Limited	Affiliate	Non-trade	**3150**	3,349	**--**	150
USCE	Associate	Non-trade	**--**	45,254	**--**	168
					89,307	104,703

(Expressed in thousands of Saudi Riyal unless otherwise stated)

28. RELATED PARTIES (continued)

Name	Relationship	Nature of transactions	Amount of transactions December 31, 2018	Amount of transactions December 31, 2017	Closing balance December 31, 2018	Closing balance December 31, 2017
Due from related parties – Long-term receivables						
Kinan (Note 28.1)	Associate	Non-trade	**--**	--	**--**	69,075
Due to related parties – Trade payables						
Almarai	Associate	Trade	**742,548**	541,645	**83,915**	82,163
Nestle Saudi Arabia Limited	Affiliate	Trade	**368,916**	332,696	**41,115**	40,453
Mayar Food Company	Affiliate	Trade	**136,958**	234,643	**34,124**	57,080
Del Monte Saudi Arabia Limited	Affiliate	Trade	**85,312**	100,386	**4,194**	4,468
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	**8,036**	11,869	**2,584**	4,181
Al Manhal Water Factory Company Limited	Affiliate	Trade	**12,886**	23,382	**1,894**	2,587
Hail Agricultural Development Company	Affiliate	Trade	**--**	104,544	**--**	15,373
Seafood International One FZCO	Associate	Trade	**20,804**	8,325	**--**	--
USCE	Associate	Trade	**20,625**	31,646	**--**	--
Others			**14,941**	5,044	**1,411**	343
					169,237	206,648
Due to related parties – accrued and other liabilities						
USCE	Associate	Non-trade	**74,382**	--	**20,372**	--
Kinan	Associate	Non-trade	**32,437**	43,020	**10,300**	--
Seafood International One FZCO	Associate	Non-trade	**18,175**	--	**4,027**	--
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Non-trade	**6,783**	11,161	**3,125**	266
Arabian Centers Company	Shareholder of a subsidiary	Non-trade	**--**	43,901	**--**	8,221
Others			**--**	--	**--**	1,791
					37,824	10,278

28.1 In September 2014, the Parent Company sold its direct and indirect ownership interest in Diyar Al Mashreq (Masharef Project) to its associate Kinan at a total consideration of SR 593.6 million, receivable in four installments until November 2017. During the year ended December 31, 2017, an agreement was signed between the parties whereby the receivable balance of SR 153.97 million was rescheduled and agreed to be settled in 2 installments amounting to SR 79.70 million and SR 74.27 million on December 1, 2018 and June 30, 2019 respectively. The receivable balances as disclosed above are reported at the present values of the installment amounts.

29 OPERATING SEGMENTS

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

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

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

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

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

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

The segments which do not meet any of the quantitative thresholds for determining reportable segments in 2018 and 2017, are classified as "Others / Eliminations", which mainly include the eliminations.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

29. OPERATING SEGMENTS (continued)

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

	Reportable Segments							
December 31, 2018	**Food Processing**	**Retail**	**Food services**	**Frozen Food**	**Investments**	**Discontinued operations**	**Others / Eliminations**	**Total**
External revenues	**9,411,816**	**11,114,241**	**1,198,957**	**89,549**	**--**	**--**	**--**	**21,814,563**
Inter segment revenue	**323,656**	**3,354**	**28,313**	**4,557**	**47,035**	**--**	**(406,915)**	**--**
Segment Revenue	**9,735,472**	**11,117,595**	**1,227,270**	**94,106**	**47,035**	**--**	**(406,915)**	**21,814,563**
Cost of revenues	**(8,514,731)**	**(8,803,345)**	**(882,200)**	**(72,856)**	**--**	**--**	**356,526**	**(17,916,606)**
Segment net profit / (loss)	**(17,272)**	**(917,429)**	**204,170**	**(4,059)**	**277,590**	**--**	**(63,380)**	**(520,380)**
Segment assets	**6,787,542**	**4,502,327**	**1,442,400**	**909,159**	**12,562,714**	**--**	**(3,951,691)**	**22,252,451**
Segment liabilities	**4,569,707**	**4,109,721**	**508,627**	**763,094**	**4,901,214**	**--**	**(621,853)**	**14,230,510**
December 31, 2017								
External revenues	11,061,961	11,638,833	1,129,681	--	--	--	--	23,830,475
Inter segment revenue	322,260	4,191	28,112	--	45,337	--	(399,900)	--
Segment Revenue	11,384,221	11,643,024	1,157,793	--	45,337	--	(399,900)	23,830,475
Cost of revenues	(9,649,959)	(9,317,363)	(816,048)	--	--	--	347,010	(19,436,360)
Segment net profit / (loss)	591,065	(1,016,022)	199,921	--	1,249,446	15,605	(14,397)	1,025,618
Segment assets	8,294,563	5,426,297	1,390,677	--	13,039,070	--	(4,813,277)	23,337,330
Segment liabilities	5,071,004	5,104,145	523,827	--	3,841,310	--	(910,936)	13,629,350

(Expressed in thousands of Saudi Riyal unless otherwise stated)

30 REVENUE

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

	Reportable Segments						
December 31, 2018	Food Processing	Retail	Food services	Frozen Food	Investments	Others / Eliminations	Total
Products transferred at a point in time	9,735,472	10,306,388	1,227,270	94,106	--	(359,880)	21,003,356
Products and services transferred over time	--	811,207	--	--	47,035	(47,035)	811,207
Total revenue	9,735,472	11,117,595	1,227,270	94,106	47,035	(406,915)	21,814,563

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard, recognised at the date of initial application (i.e. January 1, 2018). Accordingly, the revenue for previous year has not been restated and is recognised under IAS 18 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

31 COST OF REVENUES

	December 31, 2018	December 31, 2017
Inventories	**16,400,186**	17,779,802
Salaries, wages and benefits	**593,404**	615,474
Overheads	**462,290**	607,499
Depreciation and amortization	**278,234**	268,991
Freight & handling	**182,492**	164,594
	17,916,606	19,436,360

32 ADMINISTRATIVE EXPENSES

	December 31, 2018	December 31, 2017
Salaries, wages and benefits	**486,422**	437,022
Depreciation and amortization	**87,765**	94,853
Professional fees	**46,685**	55,314
IT related cost	**31,418**	37,451
Insurance	**19,540**	25,210
Utilities, telephone and communication cost	**15,174**	17,559
Traveling	**11,009**	11,566
Public relations and advertising	**8,338**	4,212
Rent	**8,080**	17,169
Repairs and maintenance	**7,330**	10,293
Training	**6,150**	5,387
Other	**65,729**	35,393
	793,640	751,429

(Expressed in thousands of Saudi Riyal unless otherwise stated)

33 SELLING AND DISTRIBUTION EXPENSES

	December 31, 2018	December 31, 2017
Salaries, wages and benefits	**1,281,060**	1,308,745
Rent	**746,145**	715,536
Depreciation and amortization	**396,139**	441,448
Advertisement	**286,017**	316,474
Utilities	**270,669**	297,288
Maintenance	**55,777**	71,967
Insurance	**41,730**	53,892
Commission	**34,102**	43,949
Communication	**11,246**	17,059
Others	**79,304**	103,440
	3,202,189	3,369,798

34 HYPERINFLATIONARY ACCOUNTING

The Group has operations in Sudan through its subsidiary Savola Edible Oils (Sudan), which is declared as hyperinflationary economy by International Accounting Standard Board (IASB) in 2018.

The main effects on the Group's consolidated financial statements due to hyperinflationary accounting (which includes both indexing up and using of closing exchange rate) for the year ended December 31, 2018 are as follows:

	Year ended December 31, 2018
Revenue increased by	**59,539**
Income from operations decreased by	**18,492**
Total non-current assets decreased by	**13,486**
Currency translation differences impacted by	**15,138**

The management applied the consumer price index (CPI), published by the World Bank and the Central Bank of the entity to adjust its financial information. The conversion factors used for the CPI adjustment is given below:

Conversion factor for the year ended December 31, 2018	**1.6553**
Conversion factor for the year ended December 31, 2017	**1.2515**

35 IMPAIRMENT LOSS

As part of Group's assessment exercise of the recoverable amounts of non-financial assets including goodwill at the year-end; the Group has recognized a cumulative impairment loss of SR 199.55 million (December 31, 2017 SR: 222.02 million).

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

35. IMPAIRMENT LOSS (continued)

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

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

	December 31, 2018	December 31, 2017
Impairment loss on:		
- recoverable amount of freehold land parcels (Note 'a' below)	**69,774**	--
- recoverable amount of property and equipment excluding freehold land (Note 'b' below)	**129,776**	--
- recoverable amount of non-financial assets including goodwill (Note 'c' below)	**--**	222,024
	199,550	222,024

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

The Group recognized an impairment of SR 69.7 million (2017: Nil) on freehold land. This represents the write-down of the carrying amount of these lands to their recoverable amounts due to unfavorable changes in economic environment and market dynamics.

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

b) *Impairment loss on recoverable amount of property and equipment excluding freehold land*:

Additionally, an impairment of SR 129.8 million was recognized during the year ended December 31, 2018 on other non-financial assets. This represents the write-down of certain property and equipment to their recoverable amounts due to unfavourable changes in economic environment affecting footfall and basket size.

The recoverable amount is based on "value-in-use" method and was determined at the level of cash generating unit ("CGU") as identified by management and consists of the net operating assets of each store. In determining value in use for the CGUs, the cash flows (determined using approved five-year business plan and budget) were discounted at a rate of 12% on a post-Zakat basis and were projected up to the year 2023. The estimated average growth rate used to extrapolate the cash flows beyond the five-year period was 2.5% and management believes that such growth rate does not exceed the long-term average growth rate for the market in which it operates.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

35. IMPAIRMENT LOSS (continued)

b) Impairment loss on recoverable amount of property and equipment excluding freehold land (continued)

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

Budgeted gross margin	25.8% – 27.8%
Revenue growth rate	4.12%
Discount rate	12%
Long term terminal growth rate	2.5%

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

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

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

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

CGU	Impairment loss		Key assumptions
	December 31, 2018	December 31, 2017	
Geant operations	--	222,024	▪ Budgeted EBITDA margin -3.7% to 2.1% ▪ Discount rate 13.9% Terminal value growth rate 2.6%

Key assumptions used for determination of in value in use:

Management determined forecast sales growth and gross margin based on past performance and its expectations of market development. The discount rates reflect management's estimate of the specific risks relating to the segment. Estimates for price inflation have been made based on the publicly available information and historical results, which have been used as an indicator of future results.

The calculation of value in use is most sensitive to the assumptions of sales growth rate of 5% that has been used to extrapolate cash flows for the budget period of 5 years and beyond; as well as the terminal value.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

36 NET FINANCE COST

	December 31, 2018	December 31, 2017
Commission income on bank deposits	**70,463**	127,391
Positive fair value of call option	**--**	10,240
Finance income	**70,463**	137,631
Financial charges on borrowings	**398,840**	340,056
Foreign exchange loss, net	**99,308**	57,711
Bank commission	**46,619**	52,129
Negative fair value of options	**44,896**	60,253
Loss on re-measurement of other commodity futures, net	**13,922**	11,451
Unwinding of discount on site restoration	**2,927**	4,925
Finance cost	**606,512**	526,525
Net finance cost recognized in profit or loss	**536,049**	388,894

37 FINANCIAL RISK MANAGEMENT

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

Risk management framework

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

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

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

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.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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, derivatives, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

Market risk

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

Interest rate risk

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

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

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

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

	December 31, 2018	December 31, 2017
Fixed rate instruments		
Financial assets	**499,546**	471,882
Financial liabilities	**239,341**	255,276
Variable rate instruments		
Financial assets	**674**	267,792
Financial liabilities	**7,716,570**	7,141,233

Sensitivity analysis for fixed rate instruments

Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before zakat and income tax for the year by SR 2.9 million (December 31, 2017: SR 2.5 million).

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 50.5 million (December 31, 2017: SR 60.93 million).

Currency risk

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

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

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

	December 31, 2018					
	US Dollars	**Iranian Riyals**	**Egyptian Pounds**	**Sudanese Pounds**	**Turkish Lira**	**United Arab Emirates Dirhams**
Trade receivables	**19,188**	**1,114,905,409**	**449,847**	**38,802**	**163,419**	**52,804**
Other receivables	**13,145**	**1,945,259,196**	**299,891**	**41,271**	**--**	**2,156**
Cash and cash equivalents	**27,560**	**2,656,160,765**	**247,753**	**338,058**	**231**	**8,910**
	59,893	**5,716,325,370**	**997,491**	**418,131**	**163,650**	**63,870**
Trade payables	**(16,310)**	**(505,193,866)**	**(350,792)**	**(182,551)**	**(62,934)**	**(22,651)**
Other payables	**(423)**	**(2,440,000,367)**	**(681,093)**	**(78,696)**	**(5,795)**	**(17,132)**
Loans and borrowings	**(18,603)**	**(1,175,592,310)**	**(2,310,317)**	**(569,512)**	**(141,632)**	**(94,303)**
	(35,336)	**(4,120,786,543)**	**(3,342,202)**	**(830,759)**	**(210,361)**	**(134,086)**
Net exposure	**24,557**	**1,595,538,827**	**(2,344,711)**	**(412,628)**	**(46,711)**	**(70,216)**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

37. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk (continued)

	December 31, 2017				
	US Dollars	Iranian Riyals	Egyptian Pounds	Sudanese Pounds	Turkish Lira
Trade receivables	17,488	1,098,444,415	462,406	129,997	140,149
Other receivables	1,281	756,816,731	193,500	20,673	27,447
Cash and cash equivalents	39,969	6,030,049,102	177,546	129,997	1,978
	58,738	7,885,310,248	833,452	280,667	169,574
Trade payables	(17,123)	(3,612,122,638)	(256,061)	(25,232)	(101,310)
Other payables	(234)	(547,387,226)	(620,176)	(53,871)	(3,428)
Loans and borrowings	(206,329)	(389,052,630)	(2,679,191)	(325,884)	(99,917)
	(223,686)	(4,548,562,494)	(3,555,428)	(404,987)	(204,655)
Net exposure	(164,948)	3,336,747,754	(2,721,976)	(124,320)	(35,081)

Significant exchange rates applied during the year were as follows:

	Average rate		**Spot rate**	
	For the year ended December 31,		**As at December 31,**	
	2018	2017	**2018**	2017
Foreign currency per Saudi Riyal				
US Dollars	**0.27**	0.27	**0.27**	0.27
Iranian Riyals	**16,609**	9,057	**24,155**	11,320
Egyptian Pounds	**4.76**	4.76	**4.79**	4.74
Sudanese Pounds	**14.85**	5.63	**17.60**	7.40
Turkish Lira	**1.47**	0.97	**1.40**	1.01
United Arab Emirates Dirhams	**1.02**	1.02	**1.02**	1.02

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

Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase profit before zakat and income tax for the year by SR 3.9 million (December 31, 2017: SR 6.9 million).

37. FINANCIAL RISK MANAGEMENT (continued)

Price risk

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

Further, as disclosed in Note 13, the put and call option are periodically valued based on Black Scholes' model using certain assumptions including the sugar prices; the fluctuations of which affects the valuations.

Details of the Group's investment portfolio exposed to price risk, at the reporting date are disclosed in note 10 to these consolidated financial statements. As at December 31, 2018, the Company's overall exposure to price risk is limited to the fair value of those positions.

Sensitivity analysis

The net assets of the Group will increase / (decrease) by SR 2.56 million (December 31, 2017: SR 3.79 million) if the prices of quoted equity vary due to increase / decrease in fair values by 1% with all other factors held constant.

Credit risk

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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, 2018	December 31, 2017
Financial assets		
Long term receivables	**7,443**	78,558
Trade receivables	**1,073,572**	970,618
Other receivables	**462,007**	357,501
Derivatives	**103,527**	64,387
Investment at fair value through profit or loss	**30,888**	--
Bank balances	**866,410**	1,265,128
	2,543,847	2,736,192

Trade receivables are carried net of impairment loss.

As at the reporting date, receivable overdue for more than six months amounted to SR 81.6 million (December 31, 2017: SR 121.05 million). The total allowance for credit losses at December 31, 2018 amounted to SR 104.78 million (December 31, 2017: SR 80.23 million). There were no past due or impaired receivables from related parties other than SR 3.75 million receivable from an investee company, Joussour holding Company, as disclosed in Note 28. "Related Parties". Company has recorded full impairment against the said receivable balance.

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances.

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

The following table provides information about the exposure to credit risk for trade receivables from individual customers as at December 31, 2018:

December 31, 2018	**Gross carrying amount**
Current (not past due)	879,086
1–30 days past due	98,013
31–60 days past due	121,937
61–90 days past due	29,456
More than 90 days past due	118,522
Total	**1,247,014**

Total ECL on trade receivables amount to SR 104.78 million.

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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.

On initial application of IFRS 9, the Group recognised an impairment allowance as at January 1, 2018 in the amount of SR 12.02 million. The amount of the allowance has been provided by SR 41.4 million during the year ended December 31, 2018.

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

On initial application of IFRS 9, the Group recognised an impairment allowance as at January 1, 2018 in the amount of SR 10.55 million. The amount of the allowance has reversed by SR 2.64 million during the year ended December 31, 2018.

Concentration Risk

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

	December 31, 2018	December 31, 2017
Wholesale / Retail	**768,568**	737,053
Manufacturing	**188,023**	177,251
Exports	**102,809**	96,784
Others	**126,397**	118,326
	1,185,797	1,129,414
Less: Impairment loss	**(104,782)**	(80,238)
	1,081,015	1,049,176

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

	December 31, 2018	December 31, 2017
Saudi Arabia	**715,629**	682,102
Iran	**61,274**	119,384
Turkey	**135,274**	145,127
Egypt	**145,053**	123,114
UAE	**39,419**	--
Other Regions	**89,148**	59,687
	1,185,797	1,129,414
Less: Impairment loss	**(104,782)**	(80,238)
	1,081,015	1,049,176

(Expressed in thousands of Saudi Riyal unless otherwise stated)

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, 2018, the Group has unused bank financing facilities amounting to SR 4.62 billion (December 31, 2017: SR 4.7 billion) to manage the short term and the long term liquidity requirements.

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

		Contractual cash flows				
December 31, 2018	**Carrying Amount**	**Less than 6 months**	**6 months to 1 year**	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**
Non derivative financial liabilities						
Loans and borrowings	**7,955,911**	**2,905,625**	**972,644**	**4,184,824**	**166,929**	**--**
Trade payables	**2,391,028**	**2,391,028**	**--**	**--**	**--**	**--**
Accrued and other liabilities	**1,851,603**	**1,851,603**	**--**	**--**	**--**	**--**
Unclaimed dividends	**266,090**	**266,090**	**--**	**--**	**--**	**--**
	12,464,632	**7,414,346**	**972,644**	**4,184,824**	**166,929**	**--**
Derivative financial liabilities						
Interest rate swaps used for hedging	**(1,286)**	**(1,780)**	**(2,821)**	**(3,924)**	**--**	**--**
Derivative contracts used for hedging	**29,467**	**29,376**	**91**	**--**	**--**	**--**
Put Option	**197,131**	--	--	--	--	**228,973**
Other derivative contracts not for hedging	**50,177**	**31,554**	**14,782**	**3,841**	**--**	**--**
	275,489	**59,150**	**12,052**	**(83)**	**--**	**228,973**

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

37. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

		Contractual cash flows				
December 31, 2017	Carrying Amount	Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years
Non derivative financial liabilities						
Loans and borrowings	7,396,862	3,643,577	461,275	3,364,077	366,272	--
Trade payables	2,535,465	2,535,465	--	--	--	--
Accrued and other liabilities	1,786,358	1,786,358	--	--	--	--
Unclaimed dividends	258,473	258,473	--	--	--	--
	11,977,158	8,223,873	461,275	3,364,077	366,272	--
Derivative financial liabilities						
Interest rate swaps used for hedging	4,735	770	(348)	(9,831)	--	--
Derivative contracts used for hedging	38,988	38,869	119	--	--	--
Put Option	159,979	--	--	--	--	162,400
Other derivative contracts not for hedging	7,974	7,974	--	--	--	--
	211,676	47,613	(229)	(9,831)	--	162,400

Fair value of assets and liabilities

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

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

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

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

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 (2017: AFS) investments, inventory and firm commitments under fair value relationships, and derivative financial instruments which are carried at fair values, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

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.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

37. FINANCIAL RISK MANAGEMENT (continued)

Fair value of assets and liabilities (continued)

	Carrying amount				Fair Value			
December 31, 2018	**Mandatorily at FVTPL - others**	**Designated at fair value**	**Fair value hedging instruments**	**FVOCI**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Investment at fair value through profit or loss	30,888	--	--	--	30,888	--	--	30,888
Future exchange contracts used for hedging	--	--	18,284	--	--	18,284	--	18,284
Other future exchange contracts	--	82,747	--	--	--	82,747	--	82,747
Call option	--	2,496	--	--	--	--	2,496	2,496
Interest rate swaps used for hedging	--	--	1,286	--	--	1,286	--	1,286
Equity securities (Note 10)	--	--	--	324,204	256,530	--	67,674	324,204
	30,888	85,243	19,570	324,204	287,418	102,317	70,170	459,905
Financial liabilities measured at fair value								
Future exchange contracts used for hedging	--	--	29,467	--	--	29,467	--	29,467
Other future exchange contracts	--	50,177	--	--	--	50,177	--	50,177
Put option	--	197,131	--	--	--	--	197,131	197,131
	--	247,308	29,467	--	--	79,644	197,131	276,775

(Expressed in thousands of Saudi Riyal unless otherwise stated)

37. FINANCIAL RISK MANAGEMENT (continued)

Fair value of assets and liabilities (continued)

	Carrying amount			Fair Value			
December 31, 2017	Designated at fair value	Fair value hedging instruments	Available for sale	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Future exchange contracts used for hedging	--	13,326	--	--	13,326	--	13,326
Other future exchange contracts	40,821	--	--	--	40,821	--	40,821
Call option	10,240	--	--	--	--	10,240	10,240
Equity securities (Note 10)	--	--	471,507	379,080	--	92,427	471,507
	51,061	13,326	471,507	379,080	54,147	102,667	535,894
Financial liabilities measured at fair value							
Interest rate swaps used for hedging	--	(4,735)	--	--	(4,735)	--	(4,735)
Future exchange contracts used for hedging	--	(38,988)	--	--	(38,988)	--	(38,988)
Other future exchange contracts	(7,974)	--	--	--	(7,974)	--	(7,974)
Put option	(159,979)	--	--	--	--	(159,979)	(159,979)
	(167,953)	(43,723)	--	--	(51,697)	(159,979)	(211,676)

37. FINANCIAL RISK MANAGEMENT (continued)

Valuation technique and significant unobservable inputs

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

Financial instruments measured at fair value

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

38 CAPITAL MANAGEMENT

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

The Group manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares. The Group also monitors capital using a gearing ratio, which is net debt, interest bearing loans and borrowings including finance cost thereon, trade and other payables, less cash and bank balances. Capital signifies equity as shown in the consolidated statement of financial position plus net debt. The gearing ratio as at December 31, 2018 and December 31, 2017 is as follows:

(Expressed in thousands of Saudi Riyal unless otherwise stated)

38. CAPITAL MANAGEMENT (continued)

	December 31, 2018	December 31, 2017
Total liabilities	**14,230,510**	13,629,350
Less: Cash and cash equivalents	**(901,573)**	(1,298,117)
Adjusted net debt	**13,328,937**	12,331,233
Total equity	**8,021,941**	9,707,980
Less: Hedging reserve	**(1,286)**	4,735
Adjusted equity	**8,020,655**	9,712,715
Adjusted net debt to adjusted equity ratio	**1.66**	1.27

39 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards are effective for annual periods beginning after January 1, 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

Of those standards that are not yet effective, IFRS 16 is expected to have a material impact on the Group's financial statements in the period of initial application.

a) IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements, as described below. The actual impacts of adopting the standard on 1 January 2019 may change because the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

39. STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

a) IFRS 16 Leases (continued)

i. Leases in which the Group is a lessee

The Group will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

No significant impact is expected for the Group's finance leases.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of SR 5.1 billion as at 1 January 2019.

ii. Leases in which the Group is a lessor

No significant impact is expected for leases in which the Group is a lessor.

iii. Transition

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Group plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

b) Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 Business Combinations – A company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11 Joint Arrangements – A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes – A company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23 Borrowing Costs – A company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

39. STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

c) Other Amendments

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- IFRIC 23 Uncertainty over Tax Treatments.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19).
- Amendments to References to Conceptual Framework in IFRS Standards.
- IFRS 17 Insurance Contracts.

40 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Company's Board of Directors on Rajab 12, 1440H, corresponding to March 19, 2019.