SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS - (UNAUDITED)
For the three month period ended March 31, 2017
together with the Independent Auditors' Review Report

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS - (*Unaudited*)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017

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INDEPENDENT AUDITORS' REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

The Shareholders
Savola Group Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying March 31, 2017 condensed consolidated interim financial statements of Savola Group Company and its subsidiaries (collectively referred to as "the Group") which comprises:

- the condensed consolidated statement of financial position as at March 31, 2017;
- the condensed consolidated statements of profit or loss and other comprehensive income for the three-month period ended March 31, 2017;
- the condensed consolidated statement of changes in equity for the three-month period ended March 31, 2017;
- the condensed consolidated statement of cash flows for the three-month period ended March 31, 2017; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" that are endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying March 31, 2017 condensed consolidated interim financial statements of Savola Group Company and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Al Fozan & Partners
Certified Public Accountants

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Jeddah, Shaban 15, 1438H
Corresponding to May 11, 2017

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*UNAUDITED*)
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	**March 31, 2017**	December 31, 2016	January 1, 2016
ASSETS				
Non-current assets				
Property, plant and equipment		**7,902,923**	7,951,282	8,803,367
Intangible assets and goodwill		**686,998**	686,998	1,064,738
Investment property		**33,443**	34,256	30,638
Investment in equity accounted investees	4	**7,836,910**	7,487,402	7,311,494
Available for sale (AFS) investments	5	**597,987**	612,421	709,275
Long term receivables		**10,751**	10,751	177,207
Deferred tax asset		**28,762**	28,693	69,763
Total non-current assets		**17,097,774**	16,811,803	18,166,482
Current assets				
Inventories		**3,227,803**	3,284,142	5,009,714
Trade receivables		**1,126,477**	1,270,621	828,091
Prepayments and other receivables		**1,410,208**	1,093,770	1,539,728
Cash and cash equivalents		**1,631,944**	1,404,750	2,089,982
		7,396,432	7,053,283	9,467,515
Assets classified as held for sale	6	**103,811**	1,132,026	--
Total current assets		**7,500,243**	8,185,309	9,467,515
TOTAL ASSETS		**24,598,017**	24,997,112	27,633,997
EQUITY AND LIABILITIES				
EQUITY				
Share capital	7	**5,339,807**	5,339,807	5,339,807
Share premium		**342,974**	342,974	342,974
Statutory reserve	8	**1,774,085**	1,774,085	1,774,085
General reserve		**4,000**	4,000	4,000
Fair value reserve		**(51,951)**	(32,023)	(618)
Effect of acquisition transaction with non-controlling interest without change in control		**(171,375)**	(171,375)	(171,375)
Foreign currency translation reserves		**(900,376)**	(926,287)	--
Retained earnings		**1,878,510**	1,874,282	2,932,586
Equity attributable to equity holders of the Company		**8,215,674**	8,205,463	10,221,459
Non-controlling interests	9	**1,005,070**	1,032,810	1,308,939
TOTAL EQUITY		**9,220,744**	9,238,273	11,530,398
LIABILITIES				
Non-current liabilities				
Loans and borrowings	10	**4,210,689**	4,455,956	4,775,040
Employee benefits	11	**616,895**	609,251	543,115
Deferred tax liability		**58,512**	55,940	116,449
Long-term payables		**213,471**	215,581	232,497
Provision against asset restoration	19 (k)	**93,608**	92,326	97,083
Total non-current liabilities		**5,193,175**	5,429,054	5,764,184
Current liabilities				
Loans and borrowings	10	**5,128,513**	4,608,275	5,098,272
Trade payables		**2,706,381**	2,517,604	3,219,022
Accrued and other liabilities		**2,349,204**	2,189,741	2,022,121
		10,184,098	9,315,620	10,339,415
Liabilities classified as held for sale	6	**--**	1,014,165	--
Total current liabilities		**10,184,098**	10,329,785	10,339,415
TOTAL LIABILITIES		**15,377,273**	15,758,839	16,103,599
TOTAL LIABILITIES AND EQUITY		**24,598,017**	24,997,112	27,633,997

The notes on pages from 7 to 72 form an integral part of these condensed consolidated interim financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (*UNAUDITED*)
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	March 31, 2017	March 31, 2016
Continuing operations:			
Revenues	16	**5,833,315**	6,421,753
Cost of revenues	16	**(4,793,188)**	(5,148,607)
Gross profit		**1,040,127**	1,273,146
Share of profit of investment in equity-accounted investees, net of zakat and tax		**120,870**	96,170
Administrative expenses		**(194,113)**	(175,458)
Selling and distribution expenses		**(827,957)**	(855,573)
Results from operating activities		**138,927**	338,285
Finance income		**36,472**	44,268
Finance costs		**(125,634)**	(138,546)
Net finance cost		**(89,162)**	(94,278)
Profit before zakat and income tax		**49,765**	244,007
Zakat and income tax expense	12	**(36,293)**	(23,251)
Profit from continuing operations		**13,472**	220,756
Discontinued operation:			
Gain / (loss) from discontinued operation, net of tax	6	**15,605**	(107,307)
Net profit for the period		**29,077**	113,449
Other Comprehensive Income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		**29,797**	(164,827)
Investment in equity accounted investees - share of Other Comprehensive Income		**(5,284)**	(16,221)
Cash flow hedges – effective portion of changes in fair value		**(404)**	986
Available for sale financial assets - net change in fair value		**(14,433)**	(32,665)
Other comprehensive income / (loss)		**9,676**	(212,727)
Total comprehensive income / (loss) for the period		**38,753**	(99,278)

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (*UNAUDITED)* – (CONTINUED)
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	**March 31, 2017**	March 31, 2016
Profit for the period attributable to:			
Owners of the Company		**4,778**	119,378
Non-controlling interests		**24,299**	(5,929)
Profit for the period		**29,077**	113,449
Total comprehensive income for the period attributable to:			
Owners of the Company		**10,761**	(112,401)
Non-controlling interests		**27,992**	13,123
Total comprehensive income / (loss) for the period		**38,753**	(99,278)
Earnings per share attributable to the Owners of the Company (in Saudi Riyals):	14		
Basic and diluted		**0.01**	0.22
(Loss) / earnings per share – Continuing operations attributable to the Owners of the Company (in Saudi Riyals):	14		
Basic and diluted		**(0.03)**	0.35

The notes on pages from 7 to 72 form an integral part of these condensed consolidated interim financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (*UNAUDITED*)
(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 interest without change in control**	**Foreign Currency translation reserve**	**Retained earnings**	**Total shareholders' equity**	**Non-controlling interest**	**Total equity**
Balance at January 1, 2017	5,339,807	342,974	1,774,085	4,000	(32,023)	(171,375)	(926,287)	1,874,282	8,205,463	1,032,810	9,238,273
Total comprehensive income for the period											
Profit	--	--	--	--	--	--	--	4,778	4,778	24,299	29,077
Other comprehensive income / (loss)	--	--	--	--	(19,928)	--	25,911	--	5,983	3,693	9,676
	--	--	--	--	(19,928)	--	25,911	4,778	10,761	27,992	38,753
Dividends	--	--	--	--	--	--	--	--	---	(20,819)	(20,819)
Other changes / movements											
Deconsolidation of USCE (Note 1 & 6)	--	--	--	--	--	--	--	--	--	(34,913)	(34,913)
Directors remuneration	--	--	--	--	--	--	--	(550)	(550)	--	(550)
Balance at March 31, 2017	**5,339,807**	**342,974**	**1,774,085**	**4,000**	**(51,951)**	**(171,375)**	**(900,376)**	**1,878,510**	**8,215,674**	**1,005,070**	**9,220,744**

The notes on pages from 7 to 72 form an integral part of these condensed consolidated interim financial statements.

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (*UNAUDITED*)
(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 interest without change in control	Foreign Currency translation reserve	Retained earnings	Total shareholders' equity	Non-controlling interest	Total equity
Balance at January 1, 2016	5,339,807	342,974	1,774,085	4,000	(618)	(171,375)	--	2,932,586	10,221,459	1,308,939	11,530,398
Total comprehensive loss for the period											
Profit / (loss)	--	--	--	--	--	--	--	119,378	119,378	(5,929)	113,449
Other comprehensive (loss) / income	--	--	--	--	(49,403)	--	(182,376)	--	(231,779)	19,052	(212,727)
	--	--	--	--	(49,403)	--	(182,376)	119,378	(112,401)	13,123	(99,278)
Transactions with owners of the Company											
Dividends	--	--	--	--	--	--	--	(266,990)	(266,990)	--	(266,990)
Other changes / movements											
Directors remuneration	--	--	--	--	--	--	--	(550)	(550)	--	(550)
Balance at March 31, 2016	5,339,807	342,974	1,774,085	4,000	(50,021)	(171,375)	(182,376)	2,784,424	9,841,518	1,322,062	11,163,580

The notes on pages from 7 to 72 form an integral part of these condensed consolidated interim financial statements.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	March 31, 2017	March 31, 2016
Cash flows from operating activities		
Profit for the period	**29,077**	113,449
Adjustments for:		
Depreciation and amortization	**193,050**	174,030
Net finance cost	**89,162**	94,278
Share of profit of investment in equity accounted investees, net of zakat and tax	**(120,870)**	(96,170)
Gain on sale of discontinued operation	**(30,481)**	--
Gain on sale of property, plant and equipment	**--**	(98)
	159,938	285,489
Changes in:		
Inventories	**51,345**	454,085
Trade receivables	**145,400**	(68,332)
Prepayments and other receivables	**(315,419)**	(522,965)
Trade payables	**190,074**	(787,278)
Employee benefits	**7,644**	6,510
Accrued and other liabilities	**(38,212)**	760,359
Net cash flow from operating activities (discontinued operations)	**--**	33,030
Cash generated from operating activities	**200,770**	160,898
Finance cost paid	**(57,470)**	(94,138)
Net cash from operating activities	**143,300**	66,760
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	**--**	771
Acquisition of property, plant and equipment	**(160,007)**	(476,099)
Acquisition of investments	**--**	(22,403)
Net change in long term receivables	**--**	1,689
Net cash flow from investing activities (discontinued operations)	**--**	(2,830)
Net cash used in investing activities	**(160,007)**	(498,872)
Cash flows from financing activities		
Net change in loans and borrowings – current	**409,945**	413,581
Net change in loans and borrowings – non-current	**(120,115)**	(99,327)
Dividends paid	**(2,546)**	(948)
Net change in decommissioning liability	**1,282**	--
Net change in long-term payables	**91**	(13,798)
Net change in deferred tax liability	**3,104**	(15,841)
Net changes in non-controlling interests	**(52,229)**	(16,959)
Net cash flow from investing activities (discontinued operations)	**--**	(141,603)
Net cash from financing activities	**239,532**	125,105
Net change in cash and cash equivalents	**222,825**	(307,007)
Effect of movement in exchange rates on cash and cash equivalents held	**4,369**	(92,319)
Cash and cash equivalents at beginning of the period	**1,404,750**	2,089,982
Cash and cash equivalents at end of the period	**1,631,944**	1,690,656
Supplemental schedule of non-cash financial information:		
Fair value reserve	**(19,928)**	(49,403)
Foreign currency translation reserve	**25,911**	(182,376)

The notes on pages from 7 to 72 form an integral part of these condensed consolidated interim 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 condensed consolidated interim 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 March 31, 2017 and December 31, 2016, the Company has investments in the following subsidiaries (collectively referred to as the "Group"):

(I) Direct subsidiaries of the Company

(i) Operating subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%)	
			March 31, 2017	December 31, 2016
Savola Foods Company ("SFC")	Saudi Arabia	Foods	**100**	100
Panda Retail Company ("Panda")	Saudi Arabia	Retail	**91**	91
Al Matoun International for Real Estate Investment Holding Company	Saudi Arabia	Real Estate	**80**	80
Herfy Food Services Company ("Herfy")	Saudi Arabia	Restaurant & manufacturing bakery products	**49**	49
United Sugar Company, Egypt ("USCE") (refer note 4 & 6)	Egypt	Manufacturing of Sugar	**--**	19.32
Giant Stores Trading Company ("Giant")*	Saudi Arabia	Retail	**10**	10
Savola Industrial Investment Company ("SIIC")*	Saudi Arabia	Holding company	**5**	5

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(ii) *Dormant and Holding subsidiaries*

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) March 31, 2017	Direct ownership interest (%) December 31, 2016
Adeem Arabia Company Limited	Saudi Arabia	Holding company	**80**	80
Al Utur Arabian Holding Company for Commercial Investment	Saudi Arabia	Holding company	**100**	100
Al Mojammat Al Mowahadah Real Estate Company (under liquidation)	Saudi Arabia	Holding company	**100**	100
Madarek Investment Company	Jordan	Holding company	**100**	100
United Properties Development Company	Saudi Arabia	Dormant company	**100**	100
Afia Foods Arabia (Transferred to Savola Foods Company)	Saudi Arabia	Dormant company	**--**	100

(II) Savola Foods Company

The Parent Company has a 100% (2015: 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 05,1429H (July 08, 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.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

Subsidiaries controlled through Savola Foods Company:

Subsidiary name	Country of incorporation	Principal business activity	Direct Ownership Interest (%) March 31, 2017	Direct Ownership Interest (%) December 31, 2016
Afia International Company ("AIC")	Saudi Arabia	Manufacturing of edible oils	**95.19**	95.19
Savola Industrial Investment Company	Saudi Arabia	Holding company	**95**	95
El Maleka for Food Industries Company	Egypt	Manufacturing of pasta	**100**	100
El Farasha for Food Industries Company	Egypt	Manufacturing of pasta	**100**	100
Savola Foods Emerging Markets Company Limited	BVI	Holding company	**95.43**	95.43
Afia International Distribution and Marketing Company	Saudi Arabia	Trading and distribution	**99**	99
Alexandria Sugar Company Egypt ("ASCE")	Egypt	Manufacturing of sugar	**19**	19
Savola Foods for Sugar Company	Cayman Islands	Holding company	**95**	95
Savola Foods Company International Limited	United Arab Emirates (UAE)	Holding company	**100**	100
International Foods Industries Company Limited	Saudi Arabia	Manufacturing of specialty fats	**75**	75
Seafood International Two FZCO	UAE	Seafood products trading and distribution	**60**	60
Afia Foods Arabia (Transferred from Savola Group)	Saudi Arabia	Dormant Company	**100**	--
Al Maoun International Holding Company	Saudi Arabia	Dormant company	**100**	100
Marasina International Real Estate Investment Limited	Saudi Arabia	Holding company	**100**	100

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

a) Subsidiaries controlled through Afia International Company:

Subsidiary name	Country of incorporation	Principal business activity	Direct Ownership Interest (%) March 31, 2017	Direct Ownership Interest (%) December 31, 2016
Savola Behshahr Company ("SBeC")	Iran	Holding company	**90**	90
Malintra Holdings	Luxembourg	Holding company	**100**	100
Savola Foods Limited ("SFL")	BVI	Holding company	**100**	100
Afia International Company – Jordan	Jordan	Dormant company	**97.4**	97.4
Inveskz Inc.	BVI	Holding company	**90**	90
Afia Trading International	BVI	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 Island	Holding company	**100**	--
SBeC				
Behshahr Industrial Company	Iran	Manufacturing of edible oils	**79.9**	79.9
Tolue Pakshe Aftab Company	Iran	Trading and distribution	**100**	100
Savola Behshahr Sugar Company	Iran	Trading and distribution	**100**	100
Notrika Golden Wheat Company	Iran	Manufacturing of Food and confectionery	**90**	90
SFL				
Afia International Company, Egypt	Egypt	Manufacturing of edible oils	**99.95**	99.95
Latimar International Limited	BVI	Dormant company	**100**	100
Elington International Limited	BVI	Dormant company	**100**	100
KUGU				
Yudum Gida Sanayi ve Ticaret A.S	Turkey	Manufacturing of edible oils	**100**	100

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

b) Subsidiaries controlled through Savola Industrial Investment Company:

Subsidiary name	Country of incorporation	Principal business activity	Direct Ownership Interest (%) March 31, 2017	Direct Ownership Interest (%) December 31, 2016
United Sugar Company ("USC")	Saudi Arabia	Manufacturing of sugar	**74.48**	74.48
USC				
United Sugar Company, Egypt* (see note 4 & 6)	Egypt	Manufacturing of sugar	**--**	56.75
Alexandria Sugar Company, Egypt ("ASCE")	Egypt	Manufacturing of sugar	**62.13**	62.13
Beet Sugar Industries	Cayman Islands	Dormant company	**100**	100
USCE				
Alexandria Sugar Company, Egypt	Egypt	Manufacturing of sugar	**18.87**	18.87
ASCE				
Alexandria United Company for Land Reclamation	Egypt	Agro cultivation	**100**	100

c) Subsidiaries controlled through Savola Foods Emerging Markets Company Limited:

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

d) Subsidiary controlled through Savola Foods Company International Limited:

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

* 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"). Accordingly, the assets and liabilities of USCE at December 31, 2016, had been classified as 'held for sale' in the consolidated statement of financial position and its results of operations for the year then ended had been disclosed as 'loss from discontinued operations' in the consolidated statement of profit or loss.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

On March 28, 2017, consequent to completion of all legal formalities, 12.77 million shares of USCE have been issued to EBRD. The ownership of the Group in USCE has been diluted after issuance of such shares, resulting in the loss of control over USCE and accordingly, deconsolidated from the books of the Group resulting in the recognition of net gain amounting to SR 30.48 million in the condensed consolidated interim statement of profit or loss and other comprehensive income. This gain is the net of the "Put Option" cost, which entitles EBRD to sell USCE shares to the Group at the agreed price as per the "Put and call option agreement" during the period stipulated in the agreement.

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.

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

(III) Panda Retail Company

The Parent Company has a 91% (2015: 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 supermarkets, hypermarkets and convenience stores.

Subsidiaries controlled through Panda

Subsidiary name	Country of incorporation	Principal business activity	Direct Ownership Interest (%) March 31, 2017	Direct Ownership Interest (%) December 31, 2016
Panda				
Giant Stores Trading Company	Saudi Arabia	Retail	**90**	90
Panda for Operations, Maintenance and Contracting Services	Saudi Arabia	Services and maintenance	**100**	100
Panda International for Retail Trading	Egypt	Retail	**100**	100
Panda International Retail Trading	UAE	Retail	**100**	100
Panda Bakeries Company	Saudi Arabia	Bakery	**100**	100
Giant				
Lebanese Sweets and Bakeries	Saudi Arabia	Dormant company	**95**	95

2. BASIS OF PREPARATION

2.1 Statement of compliance

The condensed consolidated interim financial statements (the "condensed consolidated interim financial statements") of the Group have been prepared in accordance with the International Financial Reporting Standards for Interim Financial Reporting ("IAS 34") as endorsed in the Kingdom of Saudi Arabia.

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

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

These are the Group's first condensed consolidated interim financial statements prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA, and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements.

An explanation of how the transition to IFRSs has affected the reported financial position, financial performance of the Group is provided in note 19. This note includes reconciliation of equity and total comprehensive income for the comparative periods and of equity at the date of transition reported under the pre-convergence GAAP to those reported for those periods and at the date of transition under IFRSs.

a) Accounting convention / Basis of Measurement

These condensed consolidated interim financial statements have been prepared under the historical cost basis, except for available-for-sale investments, firm commitments and inventory under fair value hedging relationship and derivative financial instruments which are stated at fair value; using the accrual basis of accounting and the going concern concept.

b) Functional and presentation currency

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

2. BASIS OF PREPARATION (continued)

2.2 Critical accounting estimates and judgments

The preparation of these condensed consolidated interim 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 condensed consolidated interim 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 a joint arrangement
(iii) Note 3*(b)(II)* - application of hedge accounting
(iv) Note 3*(q)* - lease classification

Assumptions and estimation uncertainties

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

(a) Impairment of available for sale investments

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

2. BASIS OF PREPARATION (continued)

2.2 Critical accounting estimates and judgments (continued)

(b) Provision for doubtful debts

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

(c) 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.

(d) 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.

(e) Impairment of non-financial assets

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

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

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

2. BASIS OF PREPARATION (continued)

2.2 Critical accounting estimates and judgments (continued)

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

Impairment losses are 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.

(f) Employee benefits – defined benefit obligation

Certain actuarial assumptions have been adopted as disclosed in note 11 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.

(g) 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.

(h) 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) & 17* - 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 for assets restoration cost

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements and in preparing the opening IFRS statement of financial position at January 1, 2016 for the purposes of the transition to the IFRSs as explained in note 19, unless otherwise indicated.

(a) Business combinations

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

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

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

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

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

Acquisitions from entities under common control

Business combinations including entities or business 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Subsidiaries

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

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

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

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

(ii) Goodwill

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

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

As part of its transition to IFRS and in accordance with the exemptions available to a first time adopter of IFRS under IFRS 1, goodwill is measured at deemed cost, which represents the amount recorded under pre-convergence GAAP, adjusted for the subsumption of certain intangibles recognized at the time of corresponding business combination transactions (Note 19 (d)).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Financial instruments

(I) Non-derivative financial assets

The Group initially recognizes trade receivables and deposits on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

i) Available-for-sale financial assets

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

ii) Loans and receivables

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

iii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

iv) Offsetting

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

(II) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its inventory price risk, firm commitments and interest rate risk exposures. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

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

i) 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 profit or loss within 'Financial charges, net'.

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 profit or loss within 'Cost of revenue'.

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 revenue for inventory.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Financial instruments (continued)

Derivative financial instruments, including hedge accounting (continued)

i) Cash flow hedge (continued)

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 profit or loss within 'Financial charges, net'.

ii) 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 'Financial charges, net'. Changes in the fair value of the hedge futures are recognized in the profit or loss within 'Cost of revenue'.

iii) 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 profit or loss within 'Financial charges, net'.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Foreign currency translations

i) Foreign currency transactions

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

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Saudi Riyals at exchange rates at the dates of the transactions.

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Foreign currency translations (continued)

iii) Hyperinflationary economies

When the economy of a country in which the Group operates is deemed hyperinflationary and the functional currency of a Group entity is the local currency of that hyperinflationary economy, the financial statements of such Group entities are adjusted so that they are stated in terms of the measuring unit currency at the end of the reporting period. This involves profit or loss 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 condensed consolidated statement of financial position, such as property, plant and equipment and inventories, to reflect current purchasing power as at the period end using a general price index from the date when they were first recognized. The gain or loss on the net monetary position is included in finance costs or income for the period. 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 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 financial position and income and expenses are translated at the closing rate.

e) Property, plant and equipment

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

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property, plant and equipment (continued)

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

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

The estimated useful lives of assets is as follow:

	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 policy on impairment of non-financial assets Note 3 “j”.

f) Intangible assets

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

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

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

g) Investment property

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

i) Assets and liabilities classified as held for sale

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

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

i) represents a major business line or geographical area of operations;
ii) is part of a single coordinated plan to dispose of a separate major business line or geographical area of operations; or
iii) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Impairment

i) Non-financial assets

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

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

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

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

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

ii) Financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Impairment (continued)

ii) Financial assets (continued)

Impairment losses on available-for-sale investment securities are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and 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

iii) Non-derivative financial liabilities

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

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

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

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

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 condensed 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 condensed 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Finance income and finance cost

Finance income comprises gains / (losses) on the disposal of available-for-sale financial assets, and gains on hedging instruments that are recognized in condensed 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 condensed consolidated statement of profit or loss and other comprehensive income on the date that the Group's right to receive payment is established.

Finance costs comprise of financial charges on borrowings including sukuks, losses on disposal of available-for-sale financial assets and unwinding of the discount on provisions and losses on hedging instruments that are recognized in condensed 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 condensed consolidated statement of profit or loss and other comprehensive income using the effective interest method.

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

p) Dividends

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 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.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

4. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

The details of the Group's investment in associates are as follows:

Name	Principal business sector	Country of incorporation	Direct ownership interest (%) 2017	Direct ownership interest (%) 2016	March 31, 2017	Dec 31, 2016	Jan 01, 2016
Almarai Company Limited ("Almarai")	Fresh food products	Saudi Arabia	**36.52**	36.52	**6,876,769**	6,756,868	6,344,883
Kinan International for Real Estate Development Company ("Kinan")	Real Estate	Saudi Arabia	**29.9**	29.9	**564,163**	562,492	617,143
United Sugar Company, Egypt*	Sugar	Egypt	**10.62**	--	**227,936**	--	--
Al-Seera City Company for Real Estate Development	Real Estate	Saudi Arabia	**40**	40	**151,607**	151,607	151,790
Knowledge Economic City Developers Company	Real Estate	Saudi Arabia	**2.07**	2.07	**16,435**	16,435	16,435
Intaj Capital Limited ("Intaj") reclassified as held for sale (note 6)	Fund management	Republic of Tunisia	**49**	49	--	--	179,244
Seafood International One FZCO	Seafood products distribution	UAE	**40**	40	--	--	--
Others	--	--	--	--	--	--	1,999
					7,836,910	7,487,402	7,311,494

* The effective ownership interest of the Group in United Sugar Company, Egypt is 33.82% (December 31, 2016: subsidiary at 61.51% effective ownership).

(Expressed in thousands of Saudi Riyal unless otherwise stated)

5. AVAILABLE FOR SALE (AFS) INVESTMENTS

AFS investments principally comprise the following:

	Direct ownership interest (%)	**March 31, 2017**	December 31, 2016	January 1, 2016
Quoted investments				
Knowledge Economic City	**6.4**	**378,797**	392,265	336,660
Emaar the Economic City ("Emaar")	**0.9**	**126,763**	127,729	96,319
Taameer Jordan Holding Company	**5**	**--**	--	--
Unquoted investments				
Joussour Holding Company ("Joussour")	**14.81**	**--**	--	135,869
Swicorp, Saudi Arabia	**15**	**67,674**	67,674	115,674
Dar Al Tamleek	**5**	**24,753**	24,753	24,753
		597,987	612,421	709,275

5.1 Impairment loss on Fair Valuation of AFS investments:

The Group holds investment in equity shares of Swicorp, Saudi Arabia and Joussor Holding Company and classify these under Available for Sale investments. The Group has carried out an internal study to estimate the reliable Fair Values of these unquoted investments at December 31, 2016 using multiple valuation techniques. The study captures the deteriorating financial performance of the companies and also refers to the range of acceptable fair valuation techniques such as Price Earnings Multiples, Price to Book value and Price to Tangible Book Value. The decline in the recent fair value has been considered significant and therefore impairment losses amounting to SR 48 million and SR 135.9 million has been recognized on Swicorp, Saudi Arabia and Joussor Holding Company, respectively.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

6. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATION

Assets and liabilities classified as held for sale comprise the following:

	Note	**March 31, 2017**	December 31, 2016
Assets classified as held for sale, relating to:			
- Investment in Intaj Capital Company	6.1	**80,844**	80,844
- Panda Retail Company, UAE operations	6.2	**22,967**	--
- United Sugar Company, Egypt	6.3	**--**	1,051,182
		103,811	1,132,026
Liabilities classified as held for sale, relating to:	6.3		
- United Sugar Company, Egypt		**--**	1,014,165

6.1 During the last quarter of 2016, the investment in Intaj Capital Limited ("Intaj") has been classified as held for sale pursuant to management's decision for selling the interest in Intaj within next twelve months. Consequently, this investment has been reclassified as such and written down to its fair value. The determination of fair value less cost to sell was principally based on bid prices from potential buyers but also supported by detailed internal analysis of underlying investments. The Group considered the latest available Net Asset Value (NAV) report from the Fund Manager, and adjusted the same with the probable exit timing, appropriate EBITDA multiples and current liquidity discount. Consequently, this investment has been written down to its estimated fair value of SR 80.8 million and an impairment loss of SR 88.4 million was recognized during the year ended December 31, 2016.

6.2 Panda Retail Company (Panda), through its subsidiary, has entered into an agreement with Dubai Festival City Real Estate Development Company LLC to sell lease rights. Inventories as of April 15, 2017 and fixed assets of its Hyper Panda store ("Store") in Dubai Festival City Mall, UAE in exchange for a total consideration of AED 80 million. Accordingly, inventory and property, plant and equipment amounting to SR 12.3 million and SR 10.6 million respectively, of the said store, are presented as "held for sale" as at March 31, 2017.

6.3 As disclosed in Note 1, on March 31, 2017 USCE issued 12,771,392 shares to EBRD and it has been deconsolidated from the Group. Following assets and liabilities of USCE classified as held for sale in 2016 have now been deconsolidated:

(Expressed in thousands of Saudi Riyal unless otherwise stated)

6. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATION (continued)

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

Details of income from discontinued operations for the period ended March 31 are as follows:

	March 31, 2017	March 31, 2016
Revenue	**359,820**	199,271
Expenses	**(373,730)**	(304,972)
Loss before foreign income taxes	**(13,910)**	(105,701)
Foreign income tax	**(967)**	(1,606)
Results from operating activities, net of tax	**(14,877)**	(107,307)
Gain on sale of discontinued operation, net	**30,482**	--
Gain / (loss) from discontinued operation, net of tax	**15,605**	(107,307)
Gain / (loss) from discontinued operation attributable to:		
Owners of the Company	**21,320**	(66,088)
Non-controlling interests	**(5,715)**	(41,219)
	15,605	(107,307)
Basic and diluted earnings per share (in Saudi Riyals)	**0.04**	(0.12)

The supplemental schedule of non-cash financial information relating to USCE is as follows:

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

7. SHARE CAPITAL

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

8. STATUTORY RESERVE

In accordance with the Company's bylaws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Group transfers 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. The statutory reserve in the condensed consolidated interim financial statements is the statutory reserve of the Group. This reserve currently is not available for distribution to the shareholders of the Group.

9. NON–CONTROLLING INTERESTS

As disclosed in Note 19, upon transition to the IFRS, the Group has reassessed its control over its investees based on which the investment in Herfy Foods Services ("Herfy") was concluded to be an 'Investment in Subsidiary' as defined under IFRS 10 and accordingly, assets and liabilities of Herfy have been consolidated in the condensed consolidated interim financial statements. As a result, the non-controlling interest has increased by SR 436.27 million as at March 31, 2017 (December 31, 2016 SR 409.38 million, January 1, 2016: SR 370.02 million).

10. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortized cost.

	March 31, 2017	December 31, 2016	January 1, 2016
Non-current liabilities			
Secured bank loans	**1,839,685**	2,031,232	2,297,125
Unsecured bond issues (sukuk) (See note 10.2 below)	**1,500,000**	1,500,000	1,500,000
Unsecured bank loans	**871,004**	924,724	977,915
	4,210,689	4,455,956	4,775,040
Current liabilities			
Current portion of secured bank loans	**1,088,638**	967,446	616,515
Unsecured bank loans	**4,039,875**	3,640,829	4,481,757
	5,128,513	4,608,275	5,098,272
	9,339,202	9,064,231	9,873,312

(Expressed in thousands of Saudi Riyal unless otherwise stated)

10. LOANS AND BORROWINGS (continued)

10.1 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, US Dollars, Algerian Dinar and Sudanese Pounds. Certain of these borrowings are secured by a charge on the property, plant and equipment of certain overseas subsidiaries. The loan agreements include covenants which, amongst other things, require certain financial ratios to be maintained. Some of the long-term borrowings of subsidiaries are secured by corporate guarantees of the Parent Company.

10.2 On January 22, 2013, the Group completed its initial offering under this program 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.

10.3 Property, plant and equipment amounting to SR 435.39 million (December 31, 2016: SR 440 million, January 1, 2016: SR 1,434.7 million) of certain overseas subsidiaries of the Group are pledged as collateral with commercial banks.

10.4 Inventories amounting to SR 37.02 million (December 31, 2016: SR 0.14 million, January 1, 2016: SR 366.8 million) are pledged with foreign banks as collateral against the bank borrowing facilities of certain overseas subsidiaries.

10.5 In addition, the loan and bond agreements include certain covenants, which, among other things, require certain financial ratios to be maintained.

11. 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 interim consolidated statement of financial position is determined as follows:

	March 31, 2017	December 31, 2016	January 1, 2016
Present value of defined benefit obligation	**616,895**	609,251	543,115

(Expressed in thousands of Saudi Riyal unless otherwise stated)

11. EMPLOYEE BENEFITS (continued)

Movement in net defined benefit liability

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

	March 31, 2017	December 31, 2016
Balance at beginning of period / year	**609,251**	543,115
Included in profit or loss		
Current service cost	**17,443**	71,513
Interest cost	**6,727**	27,025
Past service cost	**799**	--
	24,969	98,538
Included in other comprehensive income		
Re-measurement (gain) / loss:		
Actuarial loss	**--**	24,864
Effect of movement in exchange rates	**(2,657)**	(9,250)
Benefits paid	**(15,138)**	(45,668)
Adjustment related to transferred employees	**470**	2,054
Classified within 'liabilities associated with assets held for sale'	**--**	(4,402)
Balance at end of period / year	**616,895**	609,251

Actuarial assumptions

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

	December 31, 2016	January 1, 2016
Discount rate	4%-20.4%	3.95%-20.3%
Future salary growth / Expected rate of salary increase	6%-21%	7%-21%
Mortality rate	0.1%-0.24%	0.1%-0.24%
Employee turnover / withdrawal rates	6-17%	5-21%
Retirement age	60 years	60 years

There has been no change in actuarial assumptions for the three months period ended March 31, 2017 as compared to December 31, 2016.

11. EMPLOYEE BENEFITS (continued)

The weighted average duration of the defined benefit obligation ranges between 4.87 to 9.48 years.

As at January 1, 2016, an independent actuarial exercise has been conducted 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.

12. ZAKAT AND INCOME TAXES

(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 Saudi Riyals 1.9 million. The GAZT issued a claim on the Company's accounts for the year 2009 amounting to SR 1.3 million, against which the Company has filed an appeal.

The Company filed the Zakat returns for the years 2005 to 2015. The GAZT recently conducted a field audit on the Company's accounts for the years 2005 to 2012.

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 Saudi Riyals 42.7 million (2016: Saudi Riyals 42.7 million). The subsidiaries have appealed against such additional assessments.

(b) Income tax status

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

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

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

13. CONTINGENCIES AND COMMITMENTS

i) The Group has outstanding bank guarantees and letters of credit amounting to SR 266.31 million at March 31, 2017 (December 31, 2016: SR 198.9 million, January 1, 2016: SR 466 million), which were issued in the normal course of business;

ii) Also see Note 10 with respect to guarantees given for certain loans and Note 12 with respect to zakat contingencies;

iii) At March 31, 2017, one of the subsidiaries had commitments to sell refined sugar of approximately 292,670 MT (December 31, 2016: 243,695 MT to sell in 2017, January 1, 2016: 409,861 MT in 2016) at prices, which would approximate the prevailing market prices at the contract date. The raw sugar price of committed sale contracts is hedged through forward contracts;

iv) At March 31, 2017, the Group had outstanding commitments of SR 120.4 million (December 31, 2016: SR 49.6 million, January 1 ,2016: SR 49.6 million) for investments; and

v) At March 31, 2017, the Group had outstanding capital commitments of SR 134.98 million (December 31, 2016: SR 253 million, January 1, 2016: SR 518 million).

vi) The Company has also issued a corporate guarantee, amounting to SR 102 million (December 31, 2016: SR 102 million), to Saudi Industrial Development Fund for their loan to an associated company in proportion of the Company's ownership interest in the equity accounted investee; and

14. EARNINGS PER SHARE

Basic earnings per share for the period ended March 31, 2017 and March 31, 2016, have been computed by dividing the net profit and profit from continuing operations attributable to shareholders of the Parent Company for such periods by the weighted average number of shares outstanding 533.981 million (2016: 533.981 million) during such periods.

Diluted earnings per share for the period ended March 31, 2017 and March 31, 2016, have been computed by dividing the net profit and profit 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.

15. 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 Group's key management personnel includes salaries, non-cash benefits, and contributions to post-employment defined benefit plan. Group has recognized an expense of SR 5.55 million for the three months ended March 31, 2017 (three months ended March 31, 2016: SR 5.85 million).

Board of Directors' remuneration for the period ended March 31, 2017 amounting to SR 0.55 million (March 31, 2016: SR 0.55 million) has been calculated in accordance with the Company's By-laws and is considered as appropriation shown in the condensed consolidated statement of changes in equity. Attendance allowances and other expenses to the directors and members of various board committees amounting to SR 0.69 million (March 31, 2016: SR 0.67 million) are charged to expenses and included under general and administrative expenses.

Other related party transactions

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

15. RELATED PARTIES (continued)

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

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			March 31 2017	March 31, 2016	**March 31, 2017**	December 31, 2016
Due from related parties – Trade receivables						
Certain shareholders of USC	Shareholders of a subsidiary	Trade	**21,461**	81,220	**5,030**	3,826
Certain shareholders of AIC	Shareholders of a subsidiary	Trade	**59,531**	14,110	**19,585**	40,922
Al Marai Company	Affiliate	Trade	**18,656**	17,419	**6,312**	7,855
Western Bakeries Company Limited	Affiliate	Trade	**8,296**	5,676	**3,177**	2,882
Abdul Kader Al-Muhaidib & Sons	Shareholder	Trade	**1,673**	1,817	**681**	936
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	**10,592**	12,123	**3,623**	4,009
Others		Trade	**--**	--	**--**	788
					38,408	61,218
Due from related parties – Prepayments and other current assets						
Kinan International	Associate	Non-trade	**10,908**	10,900	**3,640**	149,405
Intaj Capital Limited	Associate	Non-trade	**--**	--	**27,200**	27,200
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Non-trade	**20,000**	20,000	**6,666**	6,666
Alhokair Stores	Affiliate	Non-trade	**10,962**	11,193	**10,265**	19,730
Seafood International One FZCO	Associate	Non-trade	**2,001**	--	**19,346**	19,346
Others		Non-trade	**2,502**	2,502	**3,343**	2,581
					70,460	224,928

(Expressed in thousands of Saudi Riyal unless otherwise stated)

15. RELATED PARTIES (continued)

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			March 31 2017	March 31, 2016	**March 31, 2017**	December 31, 2016
Due to related parties – Trade payables						
Al Marai Company	Associate	Trade	**124,447**	118,256	**33,860**	55,202
Hail Agricultural Development Company	Affiliate	Trade	**20,620**	23,462	**5,887**	12,759
Mayar Food Company	Affiliate	Trade	**33,588**	43,713	**24,737**	30,725
Delmonty Company	Affiliate	Trade	**22,103**	22,662	**8,340**	1,227
Others		Trade	**985**	1,568	**1,476**	1,597
					74,300	101,510

16. OPERATING SEGMENTS

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

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

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

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

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

The segments which do not meet any of the quantitative thresholds for determining reportable segments in 2017 and 2016, are classified as "Others / Eliminations", which mainly include the eliminations.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

16. 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						
March 31, 2017	**Food Processing**	**Retail**	**Food services**	**Investments**	**Discontinued operations**	**Others / Eliminations**	**Total**
External revenues	**2,846,562**	**2,719,494**	**267,259**	**--**	**--**	**--**	**5,833,315**
Inter segment revenue	**107,530**	**1,011**	**7,752**	**11,541**	**--**	**(127,834)**	**--**
Segment Revenue	**2,954,092**	**2,720,505**	**275,011**	**11,541**	**--**	**(127,834)**	**5,833,315**
Cost of revenues	**(2,528,985)**	**(2,191,336)**	**(188,149)**	**--**	**--**	**115,282**	**(4,793,188)**
Segment net profit / (loss)	**95,060**	**(229,440)**	**52,718**	**80,728**	**15,605**	**(9,893)**	**4,778**
Segment assets	**8,406,004**	**6,033,748**	**1,388,976**	**9,209,598**	**--**	**(440,309)**	**24,598,017**
Segment liabilities	**5,284,687**	**4,920,305**	**533,549**	**5,078,827**	**--**	**(440,095)**	**15,377,273**

	Reportable Segments						
March 31, 2016	Food processing	Retail	Food services	Investments	Discontinued operations	Others / Eliminations	Total
External revenues	2,875,796	3,270,109	275,848	--	--	--	6,421,753
Inter segment revenue	49,018	1,107	7,705	13,749	--	(71,579)	--
Segment Revenue	2,924,814	3,271,216	283,553	13,749	--	(71,579)	6,421,753
Cost of revenues	(2,478,845)	(2,532,824)	(198,300)	--	--	61,362	(5,148,607)
Segment net profit / (loss)	213,052	(31,500)	53,351	37,087	(107,307)	(45,305)	119,378
December 31, 2016							
Segment assets	8,039,247	5,995,398	1,342,063	8,930,793	1,132,026	(442,415)	24,997,112
Segment liabilities	5,032,941	4,653,545	539,354	4,870,481	1,014,165	(351,647)	15,758,839

17. FINANCIAL RISK MANAGEMENT

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

Risk management framework

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

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

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

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

Financial instruments carried on the condensed 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.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. FINANCIAL RISK MANAGEMENT (continued)

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, upto 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:

	March 31, 2017	December 31, 2016
Fixed rate instruments		
Financial assets	553,004	556,693
Financial liabilities	499,235	303,418
Variable rate instruments		
Financial assets	553,269	700,043
Financial liabilities	8,839,584	8,760,872

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 shareholders' equity in the accompanying financial statements. The Group's management monitors such fluctuations and manages its effect on the condensed consolidated interim financial statements accordingly.

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

17. FINANCIAL RISK MANAGEMENT (continued)

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

	March 31, 2017				
	US Dollars	**Iranian Riyals**	**Egyptian Pounds**	**Sudanese Pounds**	**Turkish Lira**
Trade receivables	4,712	1,089,451,444	493,122	28,802	176,661
Other receivables	3,113	595,993,048	86,788	25,412	28,308
Cash and cash equivalents	82,360	6,420,987,628	394,723	155,026	1,100
	90,185	**8,106,432,120**	**974,633**	**209,240**	**206,069**
Trade payables	(52,822)	(1,376,706,222)	(41,205)	(11,420)	(89,797)
Other payables	(132,408)	(1,439,530,138)	(1,103,104)	(31,532)	(28,401)
Loans and borrowings	(215,255)	(1,061,421,827)	(2,492,092)	(420,909)	(94,817)
	(400,485)	**(3,877,658,187)**	**(3,636,401)**	**(463,861)**	**(213,015)**
Net exposure	**(310,300)**	**4,228,773,933**	**(2,661,768)**	**(254,621)**	**(6,946)**

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. FINANCIAL RISK MANAGEMENT (continued)

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

Significant exchange rates applied during the period were as follows:

	Average rate		**Spot rate**	
	For the period ended March 31, 2017	For the period ended March 31, 2016	**As at March 31, 2017**	As at December 31, 2016
Foreign currency per Saudi Riyal				
US Dollars	**0.27**	0.27	**0.27**	0.27
Iranian Riyals	**8,681.1**	8,094.2	**8,688.8**	8,105
Egyptian Pounds	**4.71**	2.18	**4.85**	4.90
Sudanese Pounds	**4.82**	3.19	**4.80**	5.19
Turkish Lira	**0.98**	0.78	**0.97**	0.78

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. 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 available-for-sale investments. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Such investments are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. In addition, United Sugar Company uses derivative financial instruments (Commodity future contracts) to hedge its price risk of raw material in the Sugar business.

Details of the Group's investment portfolio exposed to price risk, at the reporting date are disclosed in note 5 to these interim condensed financial statements. As at March 31, 2017, the Company's overall exposure to price risk is limited to the fair value of those positions.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. To reduce exposure to credit risk, the Group has an approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. Outstanding customer receivables are regularly monitored. In order to cater the credit risk from debtors, the Group has also entered into insurance arrangements in certain geographies.

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

	March 31, 2017	December 31, 2016
Financial assets		
Long term receivables	10,751	10,751
Trade receivables	1,126,477	1,270,621
Other receivables	481,492	421,541
Derivatives	82,103	52,573
Bank balances	1,490,451	1,281,569
	3,191,274	3,037,055

Trade and other receivables are carried net of provision for doubtful debts.

As at the reporting date, receivable overdue for more than six months amounting to SR 88.1 million (December 31, 2016: SR 123.7 million). The total allowance for credit losses at March 31, 2017 amounted to SR 72.91 million (December 31, 2016: SR 72.73 million). There were no past due or impaired receivables from related parties.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. FINANCIAL RISK MANAGEMENT (continued)

Concentration Risk

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

	March 31, 2017	December 31, 2016
Wholesale / Retail	**768,155**	778,379
Manufacturing	**288,279**	366,567
Exports	**105,717**	90,015
Others	**47,982**	119,144
	1,210,133	1,354,105
Less: Provision for doubtful trade debts	**(72,905)**	(72,733)
	1,137,228	1,281,372

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

	March 31, 2017	December 31, 2016
Saudi Arabia	**701,681**	970,523
Iran	**158,944**	142,260
Turkey	**174,957**	134,290
Egypt	**116,810**	59,691
Other Regions	**57,741**	47,341
	1,210,133	1,354,105
Less: Provision for doubtful trade debts	**(72,905)**	(72,733)
	1,137,228	1,281,372

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. 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 March 31, 2017, the Group has unused bank financing facilities amounting to SR 3.7 billion (December 31, 2016: SR 3.7 billion) to manage the short term and the long term liquidity requirements.

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

		Contractual cash flows				
March 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	**9,339,202**	**4,505,673**	**653,198**	**4,199,165**	**499,063**	**--**
Trade payables	**2,706,381**	**2,706,381**	**--**	**--**	**--**	**--**
Accrued and other liabilities	**1,937,135**	**1,937,135**	**--**	**--**	**--**	**--**
Unclaimed dividends	**262,478**	**262,478**	**--**	**--**	**--**	**--**
	14,245,196	**9,411,667**	**653,198**	**4,199,165**	**499,063**	**--**
Derivative financial liabilities						
Interest rate swaps used for hedging	**3,208**	**(2,252)**	**(770)**	**8,659**	**--**	**--**
Derivative contracts used for hedging	**122,333**	**119,919**	**2,415**	**--**	**--**	**--**
Other Derivatives contracts not for hedging	**344**	**344**	**--**	**--**	**--**	**--**
	125,885	**118,011**	**1,645**	**8,659**	**--**	**--**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. FINANCIAL RISK MANAGEMENT (continued)

		Contractual cash flows				
December 31, 2016	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	9,064,231	4,046,347	687,048	2,281,650	2,495,776	--
Trade payables	2,517,607	2,517,607	--	--	--	--
Accrued and other liabilities	1,562,677	1,562,677	--	--	--	--
Unclaimed dividends	265,024	265,024	--	--	--	--
	13,409,539	8,391,655	687,048	2,281,650	2,495,776	--
Derivative financial liabilities						
Interest rate swaps used for hedging	2,972	(2,131)	(2,252)	3,965	3,924	--
Derivative contracts used for hedging	66,636	62,781	3,854	--	--	--
Other Derivatives contracts not for hedging	94,722	90,379	4,343	--	--	--
	164,330	151,029	5,945	3,965	3,924	--

Capital risk 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 March 31, 2017 and December 31, 2016 is as follows:

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. FINANCIAL RISK MANAGEMENT (continued)

	March 31, 2017	December 31, 2016
Total liabilities	**15,377,273**	15,758,839
Less: Cash and cash equivalents	**(1,631,944)**	(1,404,750)
Adjusted net debt	**13,745,329**	14,354,089
Total equity	**9,220,744**	9,238,373
Less: Hedging reserve	**(3,208)**	(3,030)
Adjusted equity	**9,217,536**	9,235,343
Adjusted net debt to adjusted equity ratio	**1.49**	1.55

Fair value of assets and liabilities

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

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

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

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

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

	Carrying amount			**Fair Value**			
March 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	--	63,413	--	--	63,413	--	63,413
Other future exchange contracts	18,689	--	--	--	18,689	--	18,689
Equity securities	--	--	597,987	505,560	92,427	--	597,987
	18,689	63,413	597,987	505,560	174,529	--	680,089
Other assets measured at fair value							
Inventory held under fair value hedge relationship	--	(428)	--	--	(428)	--	(428)
Firm commitment under fair value hedge relationship	--	(3,873)	--	--	(3,873)	--	(3,873)
	--	(4,301)	--	--	(4,301)	--	(4,301)

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. FINANCIAL RISK MANAGEMENT (continued)

	Carrying amount			**Fair Value**			
March 31, 2017	Designated at fair value	Fair value hedging instruments	Available for sale	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value							
Interest rate swaps used for hedging	--	(3,208)	--	--	(3,208)	--	(3,208)
Future exchange contracts used for hedging	--	(58,909)	--	--	(58,909)	--	(58,909)
Other future exchange contracts	(344)	--	--	--	(344)	--	(344)
	(344)	(62,117)	--	--	(62,461)	--	(62,461)
December 31, 2016							
Financial assets measured at fair value							
Future exchange contracts used for hedging	--	50,906	--	--	50,906	--	50,906
Other future exchange contracts	1,667	--	--	--	1,667	--	1,667
Equity securities	--	--	612,421	519,994	92,427	--	612,421
	1,667	50,906	612,421	519,994	145,000	--	664,994
Other assets measured at fair value							
Inventory held under fair value hedge relationship	--	(32,849)	--	--	(32,849)	--	(32,849)
Firm commitment under fair value hedge relationship	--	(7,131)	--	--	(7,131)	--	(7,131)
	--	(39,980)	--	--	(39,980)	--	(39,980)

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. FINANCIAL RISK MANAGEMENT (continued)

	Carrying amount			Fair Value			
	Designated at fair value	Fair value hedging instruments	Available for sale	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value							
Interest rate swaps used for hedging	--	(3,030)	--	--	(3,030)	--	(3,030)
Future exchange contracts used for hedging	--	(15,127)	--	--	(15,127)	--	(15,127)
Other future exchange contracts	(144,922)	--	--	--	(144,922)	--	(144,922)
	(144,922)	(18,157)	--	--	(163,079)	--	(163,079)

17. FINANCIAL RISK MANAGEMENT (continued)

Valuation technique and significant unobservable inputs

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

Financial asset 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
Interest rate swaps	Broker quotes	Not applicable	Not applicable

18. NEW STANDARDS, AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE

New Standards, Amendment to Standards and Interpretations:

The Group has adopted, as appropriate, the following new and amended IASB Standards, effective 1 January 2017.

a. Disclosure Initiative (Amendments to IAS 7)

The amendments require disclosures that enable users of Financial Statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

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

18. NEW STANDARDS, AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

b. Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

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

c. Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 12 Disclosure of Interests in Other Entities)

The amendments clarify that disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. There is no impact of this amendment on Financial Statements.

Standards issued but not yet effective

Following are the new standards and amendments to standards are effective for annual periods beginning after January 1, 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these condensed consolidated interim financial statements.

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 replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. There is not going to be a significant impact on Group’s revenue recognition policy.

b. IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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

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

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

18. NEW STANDARDS, AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

Impairment – Financial Assets and Contract Assets

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

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

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs are those that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs are those that result from all possible default events over the expected life of a financial instrument.

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

Classification – Financial Liabilities

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

However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income
- the remaining amount of change in the fair value is presented in profit or loss.

Hedge accounting

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

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

18. NEW STANDARDS, AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

Hedge accounting (continued)

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

Disclosures

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

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

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

c. IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee 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 optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including 'IAS 17 – Leases', 'IFRIC 4 - Determining whether an Arrangement contains a Lease', 'SIC-15 - Operating Leases – Incentives' and 'SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose whether to:

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

18. NEW STANDARDS, AMENDMENTS TO STANDARDS AND STANDARDS ISSUED AND NOT YET EFFECTIVE (continued)

c. IFRS 16 Leases (continued)

Transition

As a lessee, the Group can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

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

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

d. Annual Improvements to IFRSs 2014–2016 Cycle

- IFRS 1 First-time Adoption of IFRS - Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after January 1, 2018.
- IAS 28 Investments in Associates and Joint Ventures - A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after January 1, 2018; early application is permitted.

e. Other Amendments

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

19. EXPLANATION OF TRANSITION TO IFRSs

As stated in note 2.1, this is the Group's first condensed consolidated interim financial statements prepared in accordance with the requirements of IFRS 1.

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

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

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

	Note	*Pre – convergence GAAP*	*Effect of transition to IFRS*	*IFRS*	*Pre – convergence GAAP*	*Effect of transition to IFRS*	*IFRS*	*Pre – convergence GAAP*	*Effect of transition to IFRS*	*IFRS*
		December 31, 2016			*March 31, 2016*			*January 1, 2016*		
Assets										
Property, plant and equipment	a, b, k	6,864,808	1,086,474	7,951,282	7,605,352	999,183	8,604,535	7,852,712	950,655	8,803,367
Intangible assets and goodwill	a, c, d	661,669	25,329	686,998	1,106,824	(42,087)	1,064,737	1,113,720	(48,982)	1,064,738
Investment property	a	--	34,256	34,256	--	29,402	29,402	--	30,638	30,638
Investments in equity accounted investees	e	7,915,016	(427,614)	7,487,402	7,858,155	(446,308)	7,411,847	7,720,958	(409,464)	7,311,494
Available for sale (AFS) investments		612,421	--	612,421	676,611	--	676,611	709,275	--	709,275
Long term receivables		10,751	--	10,751	175,477	--	175,477	177,207	--	177,207
Deferred tax asset	j	28,693	--	28,693	59,061	--	59,061	69,763	--	69,763
Total non-current assets		16,093,358	718,445	16,811,803	17,481,480	540,190	18,021,670	17,643,635	522,847	18,166,482

(Expressed in thousands of Saudi Riyal unless otherwise stated)

19. EXPLANATION OF TRANSITION TO IFRSs (continued)

	Note	*Pre – convergence GAAP*	*Effect of transition to IFRS*	*IFRS*	*Pre – convergence GAAP*	*Effect of transition to IFRS*	*IFRS*	*Pre – convergence GAAP*	*Effect of transition to IFRS*	*IFRS*
			December 31, 2016			*March 31, 2016*			*January 1, 2016*	
Inventories	a, f, g	3,204,482	79,660	3,284,142	4,318,736	86,737	4,405,473	4,853,454	156,260	5,009,714
Trade receivables	a, g	1,228,616	42,005	1,270,621	968,078	33,456	1,001,534	920,620	(92,529)	828,091
Prepayments and other receivables	a, h	1,302,308	(208,538)	1,093,770	1,549,739	(174,278)	1,375,461	1,669,208	(129,480)	1,539,728
Cash and cash equivalents	a	1,331,524	73,226	1,404,750	1,643,555	47,101	1,690,656	2,067,074	22,908	2,089,982
		7,066,930	(13,647)	7,053,283	8,480,108	(6,984)	8,473,124	9,510,356	(42,841)	9,467,515
Asset classified as held for sale		1,132,026	--	1,132,026	893,313	--	893,313	--	--	--
Total current assets		8,198,956	(13,647)	8,185,309	9,373,421	(6,984)	9,366,437	9,510,356	(42,841)	9,467,515
Total assets		24,292,314	704,798	24,997,112	26,854,901	533,206	27,388,107	27,153,991	480,006	27,633,997
Equity										
Share capital		5,339,807	--	5,339,807	5,339,807	--	5,339,807	5,339,807	--	5,339,807
Share premium		342,974	--	342,974	342,974	--	342,974	342,974	--	342,974
Statutory reserves		1,774,085	--	1,774,085	1,774,085	--	1,774,085	1,774,085	--	1,774,085
General reserve		4,000	--	4,000	4,000	--	4,000	4,000	--	4,000
Fair value reserve	a	(22,093)	(9,930)	(32,023)	(45,619)	(4,402)	(50,021)	3,784	(4,402)	(618)
Effect of acquisition transaction with non-controlling interest without change in control		(171,375)	--	(171,375)	(171,375)	--	(171,375)	(171,375)	--	(171,375)
Foreign currency translation reserve	m	(1,941,088)	1,014,801	(926,287)	(1,201,310)	1,018,934	(182,376)	(1,019,087)	1,019,087	--
Retained earnings		3,157,057	(1,282,775)	1,874,282	4,101,223	(1,316,799)	2,784,424	4,275,841	(1,343,255)	2,932,586
Total equity attributable to shareholders of the Company		8,483,367	(277,904)	8,205,463	10,143,785	(302,267)	9,841,518	10,550,029	(328,570)	10,221,459
Non-controlling interest	a	634,279	398,531	1,032,810	939,508	382,554	1,322,062	956,037	352,902	1,308,939
Total equity		9,117,646	120,627	9,238,273	11,083,293	80,287	11,163,580	11,506,066	24,332	11,530,398

(Expressed in thousands of Saudi Riyal unless otherwise stated)

19. EXPLANATION OF TRANSITION TO IFRSs (continued)

	Note	*Pre – convergence GAAP*	*Effect of transition to IFRS*	*IFRS*	*Pre – convergence GAAP*	*Effect of transition to IFRS*	*IFRS*	*Pre – convergence GAAP*	*Effect of transition to IFRS*	*IFRS*
		December 31, 2016			*March 31, 2016*			*January 1, 2016*		
Liabilities										
Loans and borrowings	a	4,217,478	238,478	4,455,956	4,489,807	184,038	4,673,845	4,579,096	195,944	4,775,040
Employee benefits	a, i	439,381	169,870	609,251	410,202	137,905	548,107	412,220	130,895	543,115
Deferred tax liabilities	j	50,551	5,389	55,940	75,730	7,051	82,781	102,932	13,517	116,449
Deferred income	l	158,217	(158,217)	--	171,039	(171,039)	--	175,314	(175,314)	--
Long term payables		215,581	--	215,581	52,156	--	52,156	232,497	--	232,497
Provision against assets restoration cost	k	--	92,326	92,326	--	98,390	98,390	--	97,083	97,083
Total non-current liabilities		5,081,208	347,846	5,429,054	5,198,934	256,345	5,455,279	5,502,059	262,125	5,764,184
Loans and borrowings	a	4,486,198	122,077	4,608,275	4,998,789	91,304	5,090,093	5,010,542	87,730	5,098,272
Trade payables	a, f	2,415,503	102,101	2,517,604	2,354,536	98,613	2,453,149	3,123,979	95,043	3,219,022
Accrued and other liabilities	a	2,177,594	12,147	2,189,741	2,448,425	6,657	2,455,082	2,011,345	10,776	2,022,121
		9,079,295	236,325	9,315,620	9,801,750	196,574	9,998,324	10,145,866	193,549	10,339,415
Liabilities classified as held for sale		1,014,165	--	1,014,165	770,924	--	770,924	--	--	--
Total current liabilities		10,093,460	236,325	10,329,785	10,572,674	196,574	10,769,248	10,145,866	193,549	10,339,415
Total liabilities		15,174,668	584,171	15,758,839	15,771,608	452,919	16,224,527	15,647,925	455,674	16,103,599
Total liabilities and equity		24,292,314	704,798	24,997,112	26,854,901	533,206	27,388,107	27,153,991	480,006	27,633,997

(Expressed in thousands of Saudi Riyal unless otherwise stated)

19. EXPLANATION OF TRANSITION TO IFRSs (continued)

Reconciliation of comprehensive income for the period ended March 31, 2016

	Note	*Pre – convergence GAAP*	*Effect of transition to IFRS*	*IFRS*
Continuing operations				
Revenue	a, g, l	6,023,171	398,582	6,421,753
Cost of sales	a, h, i, k	(4,800,079)	(348,528)	(5,148,607)
Gross profit		**1,223,092**	**50,054**	**1,273,146**
Share of profit of equity accounted investees	e	133,015	(36,845)	96,170
Administrative expenses	a, b, c, i	(161,604)	(13,854)	(175,458)
Selling and marketing expenses	a, b, i	(909,004)	53,431	(855,573)
Results from operating activities		**285,499**	**52,786**	**338,285**
Finance income		44,268	--	44,268
Finance costs	a, k	(136,524)	(2,022)	(138,546)
Net finance costs		**(92,256)**	**(2,022)**	**(94,278)**
Profit before zakat and income tax		**193,243**	**50,764**	**244,007**
Zakat and income tax expense	a, j	(28,592)	5,341	(23,251)
Profit from continuing operations		**164,651**	**56,105**	**220,756**
Discontinued operation				
Loss from discontinued operation, net of tax		(107,307)	--	(107,307)
Profit for the period		**57,344**	**56,105**	**113,449**
Other comprehensive income (OCI)				
Items that are or may be classified to profit or loss*				
Foreign operations – foreign currency translation differences		(164,827)	--	(164,827)
Investment in equity accounted investees - share of Other Comprehensive Income		(16,221)	--	(16,221)
Cash flow hedges – effective portion of changes in fair value		986	--	986
Available for sale financial assets - net change in fair value		(32,665)	--	(32,665)
Other comprehensive (loss)		**(212,727)**	**--**	**(212,727)**
Total comprehensive (loss) / income for the period		**(155,383)**	**56,105**	**(99,278)**

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

19. EXPLANATION OF TRANSITION TO IFRSs (continued)

Reconciliation of comprehensive income for the period ended December 31, 2016

	Note	SOCPA	Effect of transition to IFRS	IFRS
Continuing operations				
Revenue	a, g, l	25,312,384	1,282,164	26,594,548
Cost of sales	a, h, i, k	(20,875,996)	(1,096,753)	(21,972,749)
Gross profit		**4,436,388**	**185,411**	**4,621,799**
Share of profit of investment in equity-accounted investees, net of zakat and tax	e	781,408	(86,064)	695,344
Dividend income from available-for-sale investments – net		1,168	--	1,168
Administrative expenses	a, b, c, i	(739,584)	(21,072)	(760,656)
Selling and marketing expenses	a, b, i	(3,646,970)	130,324	(3,516,646)
Impairment loss		(573,892)	--	(573,892)
Results from operating activities		**258,518**	**208,599**	**467,117**
Finance income		196,083	--	196,083
Finance costs	a, k	(745,792)	(8,883)	(754,675)
Net finance costs		**(549,709)**	**(8,883)**	**(558,592)**
Profit before zakat and income tax		**(291,191)**	**199,716**	**(91,475)**
Zakat and income tax expense	a, j	(156,900)	3,878	(153,022)
Profit from continuing operations		**(448,091)**	**203,594**	**(244,497)**
Discontinued operation:				
Loss from discontinued operation, net of tax		(176,260)	--	(176,260)
Net loss for the period		**(624,351)**	**203,594**	**(420,757)**
Other comprehensive income				
Items that will never be classified to profit or loss				
Defined benefit actuarial losses	i	--	(25,060)	(25,060)
Items that are or may be classified to profit or loss*				
Foreign operations – foreign currency translation differences		(1,028,859)	--	(1,028,859)
Equity accounted investees - share of OCI		(116,636)	--	(116,636)
Cash flow hedges – effective portion of changes in fair value		10,027	--	10,027
Available for sale financial assets - net change in fair value		87,015	--	87,015
Other comprehensive loss		(1,048,453)	(25,060)	(1,073,513)
Total comprehensive loss for the year		(1,672,804)	178,534	(1,494,270)

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

19. EXPLANATION OF TRANSITION TO IFRSs (continued)

Details of (decrease) / increase in the retained earnings resulting from transition to IFRS are as follows:

	Note	***December 31, 2016***	*March 31, 2016*	*January 01, 2016*
Retained earnings under SOCPA as at		3,157,057	4,101,223	4,275,841
Property, plant and equipment	*b*	26,966	(9,194)	(21,220)
Intangible assets	*c & d*	--	(51,365)	(57,682)
Investment in equity accounted investees	*e*	(3,510)	(29,842)	(22,589)
Sales to distributors	*g*	--	--	(33,976)
Operating lease arrangement- lease rentals normalization	*h*	(253,277)	(222,770)	(213,807)
Employee benefits	*i*	(98,368)	(72,902)	(68,532)
Deferred tax liability	*j*	(5,799)	(7,367)	(13,517)
Assets restoration cost	*k*	(44,470)	(39,875)	(35,392)
Deferred income	*l*	114,770	135,603	142,547
Reclassification of currency translation reserve	*m*	(1,019,087)	(1,019,087)	(1,019,087)
Decrease in retained earnings		**(1,282,775)**	(1,316,799)	(1,343,255)
Retained earnings under IFRS as at end of the year / period		**1,874,282**	2,784,424	2,932,586

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

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

19. EXPLANATION OF TRANSITION TO IFRSs (continued)

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

	January 01, 2016	March 31, 2016	December 31, 2016
Non-current Assets			
Property, plant and equipment	910,078	941,740	1,005,863
Investment property	30,638	29,402	34,256
Total non-current assets	940,716	971,142	1,040,119
Current Assets			
Inventories	108,946	108,840	101,762
Trade receivables	40,972	30,090	50,020
Prepayments and other receivables	67,575	66,522	76,935
Cash and cash equivalents	22,908	47,100	73,226
Total current assets	240,401	252,552	301,943
Total assets	1,181,117	1,223,694	1,342,062
Liabilities			
Non-current Liabilities			
Loans and borrowings	195,944	184,038	238,478
Employee benefits	53,269	54,770	59,276
Total non-current liabilities	249,213	238,808	297,754
Current Liabilities			
Loans and borrowings	87,730	91,304	122,077
Trade payables	105,669	107,992	107,377
Accrued and other liabilities	12,976	6,707	12,147
Total non-current liabilities	206,375	206,003	241,601
Total Liabilities	455,588	444,811	539,355

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

	March 31, 2016	December 31, 2016
Revenue	283,553	1,156,683
Cost of revenue	(198,300)	(815,760)
Gross profit	85,253	340,923
General and Administrative Expenses	(18,101)	(63,676)
Selling and Distribution Expenses	(11,190)	(47,503)
Results from operating activities	55,962	229,744
Finance cost	(1,485)	(7,914)
Profit before zakat	54,477	221,830
Zakat expense	(1,125)	(4,250)
Net profit for the period / year	53,352	217,580

19. EXPLANATION OF TRANSITION TO IFRSs (continued)

b) Property, plant and equipment

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

As a result of above, the Group has recorded additional depreciation amounting to SR 14.6 million for the period ended March 31, 2016 and SR 59.26 million for the year ended December 31, 2016.

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

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

iv) Under the pre-convergence GAAP, the Group had recognized certain payments pertaining to properties acquired under operating lease arrangements, as leasehold land. Pursuant to transition to IFRS, prepayment amounting to SR 14.4 million has been reclassified as prepayments at its unamortized value as at January 1, 2016.

c) Intangible assets

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

Additionally, the amortization of such deferred charges recognized under pre-convergence GAAP amounting to SR 9.21 million and SR 68.2 million for the period ended March 31, 2016 and December 31, 2016 respectively have been reversed for the said period/year accordingly.

19. EXPLANATION OF TRANSITION TO IFRSs (continued)

d) Intangible assets recognized under past business combinations

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

e) Investment in equity accounted investee

The Group's associates have recognized retained earnings losses resulting from their respective transition to IFRS. Such adjustment has resulted in the reduction in investment in associate balance by SR 22.59 million with the corresponding decrease in the Group's retained earnings as at the date of transition.

Additionally, the share of profit of equity accounted investees for the period ended March 31, 2016 and the year ended December 31, 2016 has been adjusted by SR 36.8 million and SR 86 million respectively.

Further, as disclosed in note “a” above, the consolidation of Herfy has resulted in the derecognition of carrying value of Group’s investment in Herfy amounting to SR 391.74 million as at the date of transition (March 31, 2016: SR 421.33 million and December 31, 2016: SR 428.97 million).

f) Inventories

Under the pre-convergence GAAP, the Group accounted for certain strategic spare parts and stand-by/servicing equipment as inventory. Upon transition to IFRS, such assets, upon meeting the relevant criteria have been classified as a separate component of property, plant and equipment. Accordingly, at the date of transition, such strategic spare parts and equipment amounting to SR 28.82 million have been reclassified from inventories into property, plant and equipment. Resultantly, the depreciation on strategic spare parts and equipment amounting to SR 0.72 million and SR 2.89 million has been recorded for the period ended March 31, 2016 and December 31, 2016 respectively.

g) Sales to distributors

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

19. EXPLANATION OF TRANSITION TO IFRSs (continued)

h) Operating lease arrangements

Under the pre-convergence GAAP, the Group adopted a policy of recognizing the lease expense at amounts and in the period in which these fall due. Under IFRS, the Company has recognized the lease expense other than contingent rent expense on a straight-line basis over the lease term. Accordingly, on the date of transition, the prepaid lease expenses included in the prepayments and other receivables has decreased by SR 234.9 million with a corresponding decrease in retained earnings by SR 213.81 million.

Further, the Group's lease expenses have increased by SR 14.2 million and SR 60.75 million during the period ended March 31, 2016 and the year ended December 31, 2016, respectively.

i) Employee benefits

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

Moreover, the Group's employees' end of service benefit charge has increased / decreased by SR 4.37 million and SR 7.8 million during the period ended March 31, 2016 and the year ended December 31, 2016, respectively.

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

j) Deferred tax

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

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

19. EXPLANATION OF TRANSITION TO IFRSs (continued)

k) Provision against asset restoration cost

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

Further, during the year ended December 31, 2016, the Group's depreciation charge on restoration cost has increased by SR 14.56 million (March 31, 2016: SR 2.56 million) and the decommissioning charges have increased by SR 3.69 million (March 31, 2016: SR 1.31 million).

l) Deferred income

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

Further, deferred gain amortized during the period ended March 31, 2016 and the year ended December 31, 2016 amounting to SR 8.62 million and SR 34.49 million respectively has been reversed.

m) Foreign currency translation reserve

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

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Company's Board of Directors on Shaban 14, 1438H, corresponding to May 10, 2017.