SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS - (UNAUDITED)
For the three-month period ended March 31, 2018
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 ENDED MARCH 31, 2018

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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, 2018 condensed consolidated interim financial statements of Savola Group Company ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at March 31, 2018;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month period ended March 31, 2018;
- the condensed consolidated statement of changes in equity for the three-month period ended March 31, 2018;
- the condensed consolidated statement of cash flows for the three-month period ended March 31, 2018; 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' as 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' as 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.

KPMG

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying March 31, 2018 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

Ebrahim Oboud Baeshen
License No. 382

Jeddah, Shaban 24, 1439H
Corresponding to May 10, 2018

كي بي ام جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
س.ت.م رقم ٤٦
C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**7,449,007**	7,561,675
Goodwill		**446,123**	450,155
Investment property		**34,081**	30,613
Investment in equity accounted investees	4	**8,035,948**	7,924,389
Investments	5.1	**429,273**	471,507
Long term receivables		**78,558**	78,558
Derivative		**10,240**	10,240
Deferred tax asset		**28,424**	28,296
Total non-current assets		**16,511,654**	16,555,433
Current assets			
Inventories		**3,393,195**	3,125,503
Trade receivables		**1,217,786**	970,618
Prepayments and other receivables		**1,467,309**	1,219,472
Investments	5.2 & 5.3	**73,793**	--
Cash and cash equivalents		**1,066,960**	1,298,117
		7,219,043	6,613,710
Assets classified as held for sale		**39,677**	39,677
Total current assets		**7,258,720**	6,653,387
TOTAL ASSETS		**23,770,374**	23,208,820
EQUITY AND LIABILITIES			
EQUITY			
Share capital	6	**5,339,807**	5,339,807
Share premium		**342,974**	342,974
Statutory reserve	7	**1,774,085**	1,774,085
General reserve		**4,000**	4,000
Fair value reserve		**(124,856)**	(108,649)
Effect of transactions with non-controlling interests without change in control		**(161,598)**	(161,598)
Foreign currency translation reserve		**(1,366,392)**	(1,260,509)
Retained earnings		**2,779,745**	2,898,756
Equity attributable to equity holders of the Company		**8,587,765**	8,828,866
Non-controlling interests		**847,086**	879,114
TOTAL EQUITY		**9,434,851**	9,707,980
LIABILITIES			
Non-current liabilities			
Loans and borrowings	8	**3,396,270**	3,529,434
Employee benefits	9	**663,547**	663,732
Deferred tax liability		**67,240**	66,568
Long term payables		**209,841**	210,436
Long term lease rentals		**212,151**	258,755
Derivative		**159,979**	159,979
Provision against asset restoration		**99,154**	98,078
Total non-current liabilities		**4,808,182**	4,986,982
Current liabilities			
Loans and borrowings	8	**4,355,872**	3,867,428
Trade payables		**2,910,114**	2,471,121
Current maturity of lease rentals		**59,671**	11,289
Accrued and other liabilities		**2,201,684**	2,164,020
Total current liabilities		**9,527,341**	8,513,858
TOTAL LIABILITIES		**14,335,523**	13,500,840
TOTAL LIABILITIES AND EQUITY		**23,770,374**	23,208,820

The notes on pages from 8 to 38 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)

Continuing operations:	Note	**March 31, 2018**	March 31, 2017
Revenues	14	**5,145,433**	5,786,905
Cost of revenues	14	**(4,199,705)**	(4,746,778)
Gross profit		**945,728**	1,040,127
Share of profit of investment in equity-accounted investees, net of zakat and tax and dividend income		**114,730**	120,870
Administrative expenses		**(187,106)**	(194,113)
Selling and distribution expenses		**(815,806)**	(827,957)
Results from operating activities		**57,546**	138,927
Finance income		**16,558**	36,472
Finance cost		**(142,407)**	(125,634)
Net finance cost		**(125,849)**	(89,162)
Gain on disposal of investment	5	**3,269**	--
(Loss) / profit before zakat and income tax		**(65,034)**	49,765
Zakat and income tax expense	10	**(17,684)**	(36,293)
(Loss) / profit from continuing operations		**(82,718)**	13,472
Discontinued operation:			
Gain from discontinued operation, net of tax		**--**	15,605
Net (loss) / profit for the period		**(82,718)**	29,077
Other Comprehensive Income			
Items that are or may be reclassified to profit or loss			
Foreign operations - foreign currency translation differences		**(133,324)**	29,797
Investment in equity accounted investees - share of Other Comprehensive Income		**(2,824)**	(5,284)
Cash flow hedges - effective portion of changes in fair value		**4,099**	(404)
Investments at fair value through other comprehensive income - net change in fair value		**(17,482)**	(14,433)
Other comprehensive (loss) / income		**(149,531)**	9,676
Total comprehensive (loss) / income for the period		**(232,249)**	38,753

The notes on pages from 8 to 38 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) (CONTINUED)
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Note	**March 31, 2018**	March 31, 2017
(Loss) / profit for the period attributable to:			
Owners of the Company		**(84,315)**	4,778
Non-controlling interests		**1,597**	24,299
(Loss) / profit for the period		**(82,718)**	29,077
Total comprehensive (loss) / income for the period attributable to:			
Owners of the Company		**(206,405)**	10,761
Non-controlling interests		**(25,844)**	27,992
Total comprehensive (loss) / income for the period		**(232,249)**	38,753
(Loss) / earning per share attributable to the Owners of the Company (in Saudi Riyals):			
Basic and diluted	12	**(0.16)**	0.01
(Loss) per share – Continuing operations attributable to the Owners of the Company (in Saudi Riyals):			
Basic and diluted	12	**(0.16)**	(0.03)

The notes on pages from 8 to 38 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 interests without change in control	Foreign Currency translation reserve	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2018 - as previously reported	**5,339,807**	**342,974**	**1,774,085**	**4,000**	**(108,649)**	**(161,598)**	**(1,260,509)**	**2,898,756**	**8,828,866**	**879,114**	**9,707,980**
Adjustment from adoption of IFRS 9 (Note 17 (b))	--	--	--	--	--	--	--	**(34,146)**	**(34,146)**	**(6,184)**	**(40,330)**
Balance at January 1, 2018 – restated	**5,339,807**	**342,974**	**1,774,085**	**4,000**	**(108,649)**	**(161,598)**	**(1,260,509)**	**2,864,610**	**8,794,720**	**872,930**	**9,667,650**
Total comprehensive (loss) / income for the period											
Net (loss) / profit for the period	--	--	--	--	--	--	--	**(84,315)**	**(84,315)**	**1,597**	**(82,718)**
Other comprehensive loss	--	--	--	--	**(16,207)**	--	**(105,883)**	--	**(122,090)**	**(27,441)**	**(149,531)**
	--	--	--	--	**(16,207)**	--	**(105,883)**	**(84,315)**	**(206,405)**	**(25,844)**	**(232,249)**
Other changes / movements											
Directors' remuneration	--	--	--	--	--	--	--	**(550)**	**(550)**	--	**(550)**
Balance at March 31, 2018	**5,339,807**	**342,974**	**1,774,085**	**4,000**	**(124,856)**	**(161,598)**	**(1,366,392)**	**2,779,745**	**8,587,765**	**847,086**	**9,434,851**

The notes on pages from 8 to 38 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) (CONTINUED)
(Expressed in thousands of Saudi Riyal unless otherwise stated)

	Equity attributable to the Shareholders of the Parent Company										
	Share capital	Share premium	Statutory reserve	General reserve	Fair value reserve	Effect of transactions with non-controlling interests without change in control	Foreign Currency translation reserve	Retained earnings	Total shareholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2017	5,339,807	342,974	1,774,085	4,000	(32,023)	(171,375)	(926,287)	1,885,843	8,217,024	1,032,810	9,249,834
Total comprehensive income / (loss) for the period											
Net profit / (loss) for the period	--	--	--	--	--	--	--	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 4)	--	--	--	--	--	--	--	--	--	(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)	1,890,071	8,227,235	1,005,070	9,232,305

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

SAVOLA GROUP COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	March 31, 2018	March 31, 2017
Cash flows from operating activities		
Net (loss) / profit for the period	**(82,718)**	29,077
Adjustments for:		
Depreciation	**185,821**	193,050
Net finance cost	**125,849**	89,162
Share of profit of investment in equity accounted investees, net of zakat and tax and dividend income	**(114,730)**	(120,870)
Gain on sale of discontinued operation	**--**	(30,481)
Gain on disposal of investment	**(3,269)**	--
Loss on sale of property, plant and equipment	**(253)**	--
Provision for employee benefits	**26,350**	24,969
Zakat and income tax expense	**17,684**	36,293
	154,734	221,200
Changes in:		
Inventories	**(347,248)**	51,345
Trade receivables	**(292,725)**	145,400
Prepayments and other receivables	**(281,634)**	(315,419)
Trade payables	**421,442**	190,074
Accrued and other liabilities	**133,856**	(106,729)
Cash generated from operating activities	**(211,575)**	185,871
Finance cost paid	**(93,037)**	(57,470)
Employee benefits paid	**(24,895)**	(15,138)
Net cash (used in) / from operating activities	**(329,507)**	113,263
Cash flows from investing activities		
Acquisition of property, plant and equipment	**(109,213)**	(160,007)
Proceeds from sale of property, plant and equipment	**411**	--
Acquisition of investments	**(73,793)**	--
Proceeds from sale of investment	**28,022**	--
Net cash used in investing activities	**(154,573)**	(160,007)
Cash flows from financing activities		
Net change in loans and borrowings – current	**482,743**	409,945
Net change in loans and borrowings – non-current	**(132,791)**	(120,115)
Dividends paid	**(821)**	(2,546)
Net change in deferred tax liability	**536**	3,104
Net changes in non-controlling interests	**--**	(20,819)
Net cash from financing activities	**349,667**	269,569

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) (CONTINUED)

(Expressed in thousands of Saudi Riyal unless otherwise stated)

	March 31, 2018	March 31, 2017
Net change in cash and cash equivalents	**(134,413)**	222,825
Effect of movement in exchange rates on cash and cash equivalents	**(86,198)**	4,369
Cash and cash equivalents at beginning of the period	**1,298,117**	1,404,750
Adjustment from adoption of IFRS 9 (Note 17(b))	**(10,546)**	**--**
Cash and cash equivalents at end of the period - for cash flow purposes	**1,066,960**	1,631,944
Supplemental schedule of non-cash financial information:		
Fair value reserve	**(16,207)**	(20,121)
Foreign currency translation reserve	**(133,324)**	29,797
Directors' remuneration	**(550)**	(550)

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

(I) Direct subsidiaries of the Company

i) Operating subsidiaries

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) March 31, 2018	Direct ownership interest (%) December 31, 2017
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	Saudi Arabia	Restaurant & manufacturing bakery products	**49**	49
Giant Stores Trading Company ("Giant")*	Saudi Arabia	Retail	**10**	10

* Group holds controlling equity ownership interest in Giant through indirect shareholding of Panda. During December 2017, the Company entered into a Shares Sale/Purchase Agreement with Panda to transfer its 10% ownership interest in Giant at mutually agreed price. The legal formalities of the transfer have not been completed.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(I) Direct subsidiaries of the Company (continued)

ii) Dormant and Holding subsidiaries

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

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

** Group holds controlling equity ownership interest in SIIC through indirect shareholding of SFC. Further, during 2017, the Company entered into a Shares Sale/Purchase Agreement with SFC to transfer its 5% ownership in SIIC at a mutually agreed price. The legal formalities of the transfer have not been completed.

(II) Savola Foods Company

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

(II) Savola Foods Company (continued)

Subsidiaries controlled through Savola Foods Company:

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

***** During 2017, SFC decided to inject additional capital of SR 77 million in its subsidiary, IFI. Consequently, SFC's ownership in IFI would increase from 75% to 93% upon completion of legal formalities.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

a) Subsidiaries controlled through Afia International Company:

Subsidiary name	Country of incorporation	Principal business activity	Direct ownership interest (%) March 31, 2018	Direct ownership interest (%) December 31, 2017
Savola Behshahr Company (“SBeC”)	Iran	Holding company	**90**	90
Malintra Holdings	Luxembourg	Dormant company	**100**	100
Savola Foods Limited (“SFL”)	BVI	Holding company	**100**	100
Afia International Company – Jordan	Jordan	Dormant company	**97.4**	97.4
Inveskz Inc.	BVI	Dormant company	**90**	90
Afia Trading International	BVI	Dormant company	**100**	100
Savola Foods International	BVI	Dormant company	**100**	100
KUGU Gida Yatum Ve Ticaret A.S (“KUGU”)	Turkey	Holding company	**100**	100
Aseel Food – Hold Co. (Note 1(f))	Cayman Island	Holding company	**100**	100
SBeC				
Behshahr Industrial Company	Iran	Manufacturing of edible oils	**79.9**	79.9
Tolue Pakshe Aftab Company	Iran	Trading and distribution	**100**	100
Savola Behshahr Sugar Company	Iran	Trading and distribution	**100**	100
Notrika Golden Wheat Company	Iran	Manufacturing of Food and confectionery	**90**	90
SFL				
Afia International Company, Egypt	Egypt	Manufacturing of edible oils	**99.95**	99.95
Latimar International Limited	BVI	Dormant company	**100**	100
Elington International Limited	BVI	Dormant company	**100**	100
KUGU				
Savola Gida Sanayi Ve Ticaret Anonim Şirketi	Turkey	Manufacturing of edible oils	**100**	100

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(II) Savola Foods Company (continued)

b) Subsidiaries controlled through Savola Industrial Investment Company:

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

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

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

e) Subsidiaries controlled through Al Maoun and Marasina

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

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

f) 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 (SR 70.78 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.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

1. GENERAL INFORMATION (continued)

(III) Panda Retail Company

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

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

Subsidiaries controlled through Panda:

Subsidiary name	**Country of incorporation**	**Principal business activity**	**Direct ownership interest (%)**	
			March 31, 2018	December 31, 2017
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

During the period ended March 31,2018, the shareholders of Panda resolved in the Extraordinary General Meeting to absorb the accumulated losses by SR 625 million and to increase the capital by SR 1 billion in order to finance the future operations of the Company.

2. BASIS OF PREPARATION

a) Statement of compliance

The accompanying 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 and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (SOCPA) and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended December 31, 2017 ("last annual financial statements").

2. BASIS OF PREPARATION (continued)

a) Statement of compliance (continued)

These financial statements do not include all of the information required for a complete set of IFRS financial statements, however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since last annual financial statements. This is the first set of the Group's financial statements in which IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" have been applied and the resultant changes to the significant accounting policies are described in Note 17.

i) Accounting convention / Basis of Measurement

These condensed consolidated interim financial statements have been prepared using accrual basis of accounting, going concern concept and under the historical cost basis, except for investments other than those carried at amortised cost, firm commitments and inventory under fair value hedging relationship, derivative financial instruments and employee benefits which are recognised at the present value of future obligation using the Projected Unit Method. Certain comparative amounts have been reclassified to conform to the current period's presentation.

ii) Functional and presentation currency

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

b) 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.

The significance judgements made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those described in the last annual consolidated financial statements except for the significant judgement and key sources of estimation of uncertainty related to the application of IFRS 9 and IFRS 15 which are described in Note 17.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed consolidated interim financial statement are the same as those applied in the Group's annual consolidated financial statement as at and for the year ended December 31, 2017. The Group has initially adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from January 1, 2018. The effect of application of these standards has been fully explained in Note 17. A number of other new standards and amendments are effective from January 1, 2018, but these do not have a material effect on the Group financial statements.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

4. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

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

Name	Principal business sector	Country of incorporation	Ownership interest (%)			
			March 31, 2018	December 31, 2017	**March 31, 2018**	December 31, 2017
Almarai Company	Fresh food products	Saudi Arabia	**34.52**	34.52	**7,058,512**	6,942,521
Kinan International for Real Estate Development Company	Real Estate	Saudi Arabia	**29.9**	29.9	**513,992**	506,513
USCE *	Sugar Manufacturing	Egypt	**33.82**	33.82	**237,145**	246,449
Al-Seera City Company for Real Estate Development	Real Estate	Saudi Arabia	**40**	40	**147,597**	147,597
Knowledge Economic City Developers Company	Real Estate	Saudi Arabia	**2.07**	2.07	**16,270**	16,270
United Edible Oils Holding Limited	Holding Company	Cayman Islands	**51**	51	**62,432**	65,039
					8,035,948	7,924,389

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

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

Further, as at December 2017, the put and call options have been remeasured at fair value using "Black Scholes" model and changes therein have been recognised under finance cost and finance income amounting to SR 60.25 million and SR 10.24 million respectively.

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

5. INVESTMENTS

	March 31, 2018	December 31, 2017
Investments held at fair value through other comprehensive income / Available for sale investments (note 5.1)	**429,273**	471,507
Investment at amortised cost (note 5.2)	**38,164**	--
Investment at fair value through profit or loss (note 5.3)	**35,629**	--
	503,066	471,507

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

	Principal business sector	**Country of incorporation**	**Ownership interest (%)**			
			March 31, 2018	December 31, 2017	**March 31, 2018**	December 31, 2017
Quoted investments						
Knowledge Economic City	Real Estate	Saudi Arabia	**6.4**	6.4	**259,772**	278,667
Emaar the Economic City	Real Estate	Saudi Arabia	**0.9**	0.9	**101,827**	100,413
Taameer Jordan Holding Company	Real Estate	Kingdom of Jordan	**5**	5	**--**	--
Unquoted investments						
Joussour Holding Company	Holding Company	Saudi Arabia	**14.81**	14.81	**--**	--
Swicorp, Saudi Arabia	Investment Management	Saudi Arabia	**15**	15	**67,674**	67,674
Dar Al Tamleek (Note 'a' below)	Real Estate	Saudi Arabia	**--**	5	**--**	24,753
					429,273	471,507

(a) In January 2018, the Company sold its ownership interest in Dar Al Tamleek for SR 28.02 million and realised a gain amounting to SR 3.27 million.

5.2 This represents investment made by one of the Group's foreign subsidiary in short term bonds with a maturity date in January 2019.

5.3 This represents investment made by one of the Group's local subsidiary in commodity mutual funds. As at March 31, 2018, an unrealised gain of SR 0.06 million has been recognised in the profit or loss for the period.

6. SHARE CAPITAL

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

7. STATUTORY RESERVE

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

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

8. LOANS AND BORROWINGS

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

	March 31, 2018	December 31, 2017
Non-current liabilities		
Secured bank loans	**159,961**	162,550
Unsecured bond issues (Sukuk) (note 8.2)	**1,500,000**	1,500,000
Unsecured bank loans	**1,736,309**	1,866,884
	3,396,270	3,529,434
Current liabilities		
Current portion of secured bank loans	**30,578**	35,322
Current portion of unsecured bank loans	**867,836**	843,109
Secured bank loan	**196,311**	221,585
Unsecured bank loans	**3,202,355**	2,664,825
Bank overdraft	**58,792**	102,587
	4,355,872	3,867,428
	7,752,142	7,396,862

8.1 These represent borrowings obtained from commercial banks and other financial institutions by the Parent Company and its consolidated subsidiaries. These borrowings are in Saudi Riyals, Egyptian Pounds, Iranian Riyals, US Dollars, Algerian Dinar, Turkish Lira 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.

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

8.3 Property, plant and equipment amounting to SR 489.69 million (December 31, 2017: SR 435.35 million) of certain subsidiaries of the Group are pledged as collateral with commercial banks.

8.4 Inventories amounting to SR 52 million (December 31, 2017: SR 43 million) are pledged with foreign banks as collateral against the bank borrowing facilities of certain overseas subsidiaries.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

9. 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 condensed consolidated statement of financial position is determined as follows:

	March 31, 2018	December 31, 2017
Present value of defined benefit obligation	**663,547**	663,732

Movement in net defined benefit liability

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

	March 31, 2018	December 31, 2017
Balance at beginning of period/year	**663,732**	609,251
Included in profit or loss		
Current service cost	**21,476**	81,706
Interest cost	**4,874**	22,950
	26,350	104,656
Included in other comprehensive income		
Re-measurement loss:		
Actuarial loss	**--**	13,746
Effect of movement in exchange rates	**(1,640)**	(8,443)
Benefits paid	**(24,895)**	(56,386)
Adjustment related to transferred employees	**--**	908
Balance at end of period/year	**663,547**	663,732

Actuarial assumptions

The principal actuarial assumptions at the reporting date are the same as used as at December 31, 2017, as follows:

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

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

10. 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 SR 1.9 million.

The assessments for the years 2001 to 2004 have been finalized. For the years 2005 to 2012, GAZT conducted a field audit on the Company's accounts and claimed additional Zakat difference of SR 85.8 million. The Company has objected the GAZT claim. The Company also filed the Zakat returns for the years 2013 to 2016.

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

(b) Income tax status

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

11. CONTINGENCIES AND COMMITMENTS

	March 31, 2018	December 31, 2017
	Amounts in millions	
Letters of credits	**144**	91
Bank guarantees	**103**	239
Corporate guarantee	**102**	102
Commitments to buy raw sugar	**373**	345
Commitments to sell refined sugar	**735**	694
Capital commitments	**34**	257
	Quantity in Metric tonnes	
Commitments to buy raw sugar	**300,355**	262,300
Commitments to sell raw sugar	**413,455**	360,478

12. EARNINGS PER SHARE

Basic earnings per share for the period ended March 31, 2018 and March 31, 2017 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 (March 31, 2017: 533.981 million) during such periods.

Diluted earnings per share for the period ended March 31, 2018 and March 31, 2017, 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.

13. RELATED PARTIES

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

Transactions with key management personnel

Key management personnel compensation

Compensation to the Group’s key management personnel includes salaries, non-cash benefits, and post-employment benefits. The Group has recognized an expense of SR 5.92 million for the period ended March 31, 2018 (March 31, 2017: SR 5.55 million).

Board of Directors’ remuneration for the period ended March 31, 2018 amounting to SR 0.55 million (March 31, 2017: 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 0.23 million (December 31, 2017: SR 0.69 million) are charged to expenses and included under 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 favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related companies on arm’s length basis.

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

13. 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 or significant influence are as follows:

Name	Relationship	Nature of transactions	Amount of transactions March 31 2018	Amount of transactions March 31 2017	Closing balance March 31, 2018	Closing balance December 31, 2017
Due from related parties – Trade receivables						
Certain shareholders of USC	Shareholders of a subsidiary	Trade	**50,089**	102,024	**37,083**	31,054
Certain shareholders of AIC	Shareholders of a subsidiary	Trade	**18,829**	17,689	**16,056**	9,129
Almarai	Associate	Trade	**15,456**	18,656	**6,938**	5,014
Western Bakeries Company Limited	Affiliate	Trade	**5,315**	8,296	**2,496**	1,852
Seafood International One	Associate	Trade	**7,117**	3,035	**16,049**	--
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Trade	**--**	1,673	**--**	--
Others			**35**	12	**2,825**	3,525
					81,447	50,574
Due from related parties – Prepayments and other receivables						
Kinan (Note 13.1)	Associate	Non-trade	**10,701**	10,542	**85,301**	82,363
Seafood International One	Associate	Non-trade	**305**	243	**--**	14,907
Seafood International Holdco.	Joint venture	Non-trade	**--**	--	**6,011**	6,011
Bonus Foods Company Limited	Associate	Non-trade	**3,026**	--	**1,922**	1,104
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Non-trade	**1,696**	2,204	**1,962**	--
Del Monte Saudi Arabia Limited	Affiliate	Non-trade	**788**	987	**112**	150
Arabian Centers Company	Shareholder of a subsidiary	Non-trade	**10,975**	10,962	**960**	--
USCE	Associate	Non-trade	**19,498**	--	**19,498**	168
					115,766	104,703

(Expressed in thousands of Saudi Riyal unless otherwise stated)

13. RELATED PARTIES (continued)

Name	Relationship	Nature of transactions	Amount of transactions March 31 2018	Amount of transactions March 31 2017	Closing balance March 31, 2018	Closing balance December 31, 2017
Due from related parties – Long-term receivables						
Kinan (Note 13.1)	Associate	Non-trade	--	--	**69,075**	69,075
					69,075	69,075
Due to related parties – Trade payables						
Almarai	Associate	Trade	**187,206**	129,100	**103,221**	82,163
Mayar Food Company	Affiliate	Trade	**21,077**	32,498	**18,235**	57,080
Nestle Saudi Arabia Limited	Affiliate	Trade	**120,911**	79,383	**55,802**	40,453
Hail Agricultural Development Company	Affiliate	Trade	--	21,204	--	15,373
Del Monte Saudi Arabia Limited	Affiliate	Trade	**18,161**	21,940	**8,268**	4,468
Al Mehbaj Al Shamiyah Trading Company	Affiliate	Trade	**4,539**	2,194	**4,530**	4,181
Al Manhal Water Factory Company Limited	Affiliate	Trade	**4,098**	4,375	**2,468**	2,587
Others			**2,191**	--	**712**	343
					193,236	206,648
Due to related parties – accrued and other liabilities						
Arabian Centers Company	Shareholder of a subsidiary	Non-trade	--	--	--	8,221
Abdul Kader Al Muhaidib & Sons Co.	Shareholder	Non-trade	--	--	--	266
Others			**1,016**	1,014	**286**	1,791
					286	10,278

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

14. 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 Chief Executive Officer (Chief Operating Decision Maker) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

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

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

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

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 2018 and 2017, are classified as "Others / Eliminations", which mainly include the eliminations.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit net of income tax and zakat, 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, 2018	**Food Processing**	**Retail**	**Food services**	**Investments**	**Discontinued operations**	**Others / Eliminations**	**Total**
External revenues	**2,451,934**	**2,413,720**	**279,779**	**--**	**--**	**--**	**5,145,433**
Inter segment revenue	**119,772**	**879**	**6,518**	**11,405**	**--**	**(138,574)**	**--**
Segment Revenue	**2,571,706**	**2,414,599**	**286,297**	**11,405**	**--**	**(138,574)**	**5,145,433**
Cost of revenues	**(2,241,181)**	**(1,877,717)**	**(207,098)**	**--**	**--**	**126,291**	**(4,199,705)**
Segment net profit / (loss)	**8,273**	**(223,249)**	**47,745**	**87,898**	**--**	**(4,982)**	**(84,315)**
Segment assets	**8,184,032**	**5,791,099**	**1,447,522**	**12,818,540**	**--**	**(4,470,819)**	**23,770,374**
Segment liabilities	**5,129,710**	**5,692,138**	**532,927**	**3,822,291**	**--**	**(841,543)**	**14,335,523**
March 31, 2017							
External revenues	2,846,562	2,673,084	267,259	--	--	--	5,786,905
Inter segment revenue	107,530	1,011	7,752	11,541	--	(127,834)	--
Segment Revenue	2,954,092	2,674,095	275,011	11,541	--	(127,834)	5,786,905
Cost of revenues	(2,528,985)	(2,144,926)	(188,149)	--	--	115,282	(4,746,778)
Segment net profit / (loss)	95,060	(229,440)	52,718	80,728	15,605	(9,893)	4,778
Segment assets	8,230,219	5,426,297	1,390,677	13,039,070	--	(4,877,443)	23,208,820
Segment liabilities	5,006,660	5,104,145	523,827	3,841,310	--	(975,102)	13,500,840

15. 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 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.

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.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

15. FINANCIAL RISK MANAGEMENT (continued)

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

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, 2018	December 31, 2017
Fixed rate instruments		
Financial assets	**528,579**	471,882
Financial liabilities	**301,615**	255,276
Variable rate instruments		
Financial assets	**52,959**	267,792
Financial liabilities	**7,450,527**	7,141,233

Currency risk

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

15. FINANCIAL RISK MANAGEMENT (continued)

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

March 31, 2018	**US Dollars**	**Iranian Riyals**	**Egyptian Pounds**	**Sudanese Pounds**	**Turkish Lira**
Trade receivables	**20,733**	**1,409,825,250**	**908,501**	**25,378**	**148,210**
Other receivables	**79**	**796,072,089**	**165,878**	**24,109**	**27,892**
Cash and cash equivalents	**31,984**	**3,731,452,195**	**268,944**	**159,243**	**7,336**
	52,796	**5,937,349,534**	**1,343,323**	**208,730**	**183,438**
Trade payables	**(2,967)**	**(2,468,570,310)**	**(787,028)**	**(28,953)**	**(89,031)**
Other payables	**(992)**	**(1,100,124,836)**	**(626,916)**	**(109,124)**	**(1,420)**
Loans and borrowings	**(1,854)**	**(1,316,550,893)**	**(2,803,307)**	**(526,006)**	**(126,236)**
	(5,813)	**(4,885,246,039)**	**(4,217,251)**	**(664,083)**	**(216,687)**
Net exposure	**46,983**	**1,052,103,495**	**(2,873,928)**	**(455,353)**	**(33,249)**
March 31, 2017					
Trade receivables	17,488	1,098,444,415	462,406	129,997	140,149
Other receivables	1,281	756,816,731	193,500	20,673	27,447
Cash and cash equivalents	39,969	6,030,049,102	177,546	129,997	1,978
	58,738	7,885,310,248	833,452	280,667	169,574
Trade payables	(17,123)	(3,612,122,638)	(256,061)	(25,232)	(101,310)
Other payables	(234)	(547,387,226)	(620,176)	(53,871)	(3,428)
Loans and borrowings	(206,329)	(389,052,630)	(2,679,191)	(325,884)	(99,917)
	(223,686)	(4,548,562,494)	(3,555,428)	(404,987)	(204,655)
Net exposure	(164,948)	3,336,747,754	(2,721,976)	(124,320)	(35,081)

Significant exchange rates applied during the period were as follows:

	Average rate		**Spot rate**	
	For the period ended March 31,		**As at**	
	2018	2017	**March 31,2018**	December 31, 2017
Foreign currency per Saudi Riyal				
US Dollars	**0.27**	0.27	**0.27**	0.27
Iranian Riyals	**12,554**	8,681.1	**13,101**	11,320
Egyptian Pounds	**4.72**	4.71	**4.72**	4.74
Sudanese Pounds	**9.75**	4.82	**9.25**	7.40
Turkish Lira	**0.97**	0.98	**0.94**	1.01

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

15. 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 condensed consolidated interim financial statements. As at March 31, 2018, 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 maximum exposure to credit risk at the reporting date is as follows:

	March 31, 2018	December 31, 2017
Financial assets		
Long term receivables	**78,558**	78,558
Trade receivables	**1,217,786**	970,618
Other receivables	**412,966**	357,501
Derivatives	**98,437**	64,387
Investment at fair value through profit or loss	**35,629**	--
Bank balances	**973,174**	1,265,128
	2,816,550	2,736,192

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 106.9 million (December 31, 2017: SR 115.1 million). The total allowance for credit losses at March 31, 2018 amounted to SR 95.2 million (December 31, 2017: SR 80.23 million). There were no past due or impaired receivables from related parties as at March 31, 2018.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

15. FINANCIAL RISK MANAGEMENT (continued)

Concentration Risk

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

	March 31, 2018	December 31, 2017
Wholesale / Retail	**866,393**	737,053
Manufacturing	**240,176**	177,251
Exports	**106,969**	96,784
Others	**177,969**	118,326
	1,391,507	1,129,414
Less: Provision for doubtful trade debts	**(95,163)**	(80,238)
	1,296,344	1,049,176

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

	March 31, 2018	December 31, 2017
Saudi Arabia	**825,029**	682,102
Iran	**128,462**	119,384
Turkey	**166,977**	145,127
Egypt	**214,341**	123,114
Other Regions	**56,698**	59,687
	1,391,507	1,129,414
Less: Provision for doubtful trade debts	**(95,163)**	(80,238)
	1,296,344	1,049,176

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, 2018, the Group has unused bank financing facilities amounting to SR 4.6 billion (December 31, 2017: SR 4.7 billion) to manage the short term and the long term liquidity requirements.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

15. FINANCIAL RISK MANAGEMENT (continued)

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, 2018	**Carrying Amount**	**Less than 6 months**	**6 months to 1 year**	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**
Non derivative financial liabilities						
Loans and borrowings	**7,752,142**	**3,828,517**	**685,798**	**3,210,396**	**431,685**	**--**
Trade payables	**3,042,453**	**3,042,453**	**--**	**--**	**--**	**--**
Accrued and other liabilities	**1,732,535**	**1,732,535**	**--**	**--**	**--**	**--**
Unclaimed dividends	**256,292**	**256,292**	**--**	**--**	**--**	**--**
	12,783,422	**8,859,797**	**685,798**	**3,210,396**	**431,685**	**--**
Derivative financial liabilities						
Interest rate swaps used for hedging	**635**	**348**	**1,566**	**6,745**	**--**	**--**
Derivative contracts used for hedging	**66,983**	**60,080**	**6,903**	**--**	**--**	**--**
Put option	**159,979**	**--**	**--**	**--**	**--**	**162,400**
Other Derivatives contracts not for hedging	**4,068**	**4,068**	**--**	**--**	**--**	**--**
	231,665	**64,496**	**8,469**	**6,745**	**--**	**162,400**

		Contractual cash flows				
December 31, 2017	Carrying Amount	Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years
Non derivative financial liabilities						
Loans and borrowings	7,396,862	3,643,577	461,275	3,364,077	366,272	--
Trade payables	2,471,121	2,471,121	--	--	--	--
Accrued and other liabilities	1,786,358	1,786,358	--	--	--	--
Unclaimed dividends	258,473	258,473	--	--	--	--
	11,912,814	8,159,529	461,275	3,364,077	366,272	--
Derivative financial liabilities						
Interest rate swaps used for hedging	4,735	(770)	348	9,831	--	--
Derivative contracts used for hedging	38,988	38,869	119	--	--	--
Put Option	159,979	--	--	--	--	162,400
Other derivatives contracts not for hedging	7,974	7,974	--	--	--	--
	211,676	46,073	467	9,831	--	162,400

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

15. FINANCIAL RISK MANAGEMENT (continued)

Fair value of assets and liabilities

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

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

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

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

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

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

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

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. During the periods ended March 31, 2018 and December 31, 2017, there were no transfers between fair value categories of level 1 and level 2.

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

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.

(Expressed in thousands of Saudi Riyal unless otherwise stated)

15. FINANCIAL RISK MANAGEMENT (continued)

	Carrying amount				Fair Value			
March 31, 2018	**Mandatorily at FVTPL - others**	**Designated at fair value**	**Fair value hedging instruments**	**FVOCI**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Investment at fair value through profit or loss	**35,629**	**--**	**--**	**--**	**35,629**	**--**	**--**	**35,629**
Future exchange contracts used for hedging	**--**	**--**	**42,672**	**--**	**--**	**42,672**	**--**	**42,672**
Other future exchange contracts	**--**	**45,525**	**--**	**--**	**--**	**45,525**	**--**	**45,525**
Call option	**--**	**10,240**	**--**	**--**	**--**	**--**	**10,240**	**10,240**
Equity securities (Note 5)	**--**	**--**	**--**	**429,273**	**361,599**	**--**	**67,674**	**429,273**
	35,629	**55,765**	**42,672**	**429,273**	**397,228**	**88,197**	**77,914**	**563,339**
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	--	--	**(635)**	--	--	**(635)**	--	**(635)**
Future exchange contracts used for hedging	--	--	**(66,983)**	--	--	**(66,983)**	--	**(66,983)**
Other future exchange contracts	--	**(4,068)**	--	--	--	**(4,068)**	--	**(4,068)**
Put option	--	**(159,979)**	--	--	--	--	**(159,979)**	**(159,979)**
	--	**(164,047)**	**(67,618)**	--	--	**(71,686)**	**(159,979)**	**(231,665)**

	Carrying amount			Fair Value			
December 31, 2017	Designated at fair value	Fair value hedging instruments	Available for sale	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value							
Investment at fair value through profit or loss	--	--	--	--	--	--	--
Future exchange contracts used for hedging	--	13,326	--	--	13,326	--	13,326
Other future exchange contracts	40,821	--	--	--	40,821	--	40,821
Call option	10,240	--	--	--	--	10,240	10,240
Equity securities (Note 5)	--	--	471,507	379,080	--	92,427	471,507
	51,061	13,326	471,507	379,080	54,147	102,667	535,894
Financial liabilities measured at fair value							
Interest rate swaps used for hedging	--	(4,735)	--	--	(4,735)	--	(4,735)
Future exchange contracts used for hedging	--	(38,988)	--	--	(38,988)	--	(38,988)
Other future exchange contracts	(7,974)	--	--	--	(7,974)	--	(7,974)
Put option	(159,979)	--	--	--	--	(159,979)	(159,979)
	(167,953)	(43,723)	--	--	(51,697)	(159,979)	(211,676)

15. FINANCIAL RISK MANAGEMENT (continued)

Valuation technique and significant unobservable inputs

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

Financial instruments measured at fair value

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

16. CAPITAL MANAGEMENT

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

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

16. CAPITAL MANAGEMENT (continued)

	March 31, 2018	December 31, 2017
Total liabilities	**14,335,523**	13,500,840
Less: Cash and cash equivalents	**(1,066,960)**	(1,298,117)
Adjusted net debt	**13,268,563**	12,202,723
Total equity	**9,434,851**	9,707,980
Add: Hedging reserve	**635**	4,735
Adjusted equity	**9,435,486**	9,712,715
Adjusted net debt to adjusted equity ratio	**1.41**	1.25

17. NEW STANDARDS AND AMENDMENTS TO STANDARDS

The Group has adopted, as appropriate, the following new and amended IASB Standards, effective January 1, 2018.

(a) IFRS 15 Revenue from Contracts with Customers

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

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. January 1, 2018). Accordingly, the information presented for previous year has not been restated, as previously reported, under IAS 18 and related interpretations.

(b) IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

17. NEW STANDARDS AND AMENDMENTS TO STANDARDS (continued)

(b) IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below:

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value through Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or Fair Value through Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

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

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

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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

(Expressed in thousands of Saudi Riyal unless otherwise stated)

17. NEW STANDARDS AND AMENDMENTS TO STANDARDS (continued)

(b) IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

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

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

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

Debt investments at FVOCI - These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

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

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below:
The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Group's significant financial assets as at 1 January 2018.

Financial Assets	**Original Classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**New carrying amount under IFRS 9**
Trade Receivables	Loans and Receivables	Amortised Cost	970,618	952,854
Cash and bank balances	Loans and Receivables	Amortised Cost	1,298,117	1,287,011
Available for sale investments*	Available for sale	FVOCI-equity investments	446,754	446,754
Available for sale investments	Available for sale	FVTPL-equity investments	24,753	24,753
Future exchange contracts used for hedging	Fair value-hedging instrument	Fair value-hedging instrument	13,326	13,326
Other future exchange contracts	Designated as FVTPL	Designated as FVTPL	40,821	40,821
Call option	Designated as FVTPL	Designated as FVTPL	10,240	10,240
Total			2,804,629	2,775,759

17. NEW STANDARDS AND AMENDMENTS TO STANDARDS (continued)

(b) IFRS 9 Financial Instruments (continued)

Classification and measurement of financial assets and financial liabilities (continued)

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

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Credit-impaired financial assets
At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

Hedge Accounting

IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

Transition

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 amounting to SR 34.1 million are recognised in retained earnings as at January 1, 2018.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

18. 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 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.

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.

(b) Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business.
  - If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
  - If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

18. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

(b) Annual Improvements to IFRSs 2015–2017 Cycle (continued)

- IAS 12 Income Taxes – clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits i.e. in profit or loss, other comprehensive income or equity.
- IAS 23 Borrowing Costs – clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

(c) 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.

- IFRIC 23 Uncertainty over Income Tax Treatments – clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19).

19. SUBSEQUENT EVENT

Subsequent to the period ended March 31, 2018, the Company signed a Share Purchase Agreement (“Agreement”) for the acquisition of 51% of Al Kabeer Group of companies for SR 565.5 million. The completion of the share sale under the Agreement is expected to be completed during the second half of the year 2018.

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Company's Board of Directors on Shaban 23, 1439H, corresponding to May 9, 2018.