SADAFCO

SAUDIA DAIRY & FOODSTUFF COMPANY

ANNUAL REPORT 2017-18

TRUSTED BY GENERATIONS

بسم الله الرحمن الرحيم

King Salman bin Abdulaziz Al Saud

The Custodian of the Two Holy Mosques

HRH Prince Mohammed bin Salman bin Abdulaziz Al Saud

Crown Prince, First Deputy Prime Minister,
President of the Council for Economic and Development Affairs and Minister of Defense

Our **Vision**

To be the Brand of Choice

Our **Mission**

To develop, produce and market a range of nutritious food propositions for consumers of all age groups and create maximum shareholder value through team work

Our **Values**

Integrity

Respect For All

Passion

Quality

Message from the Chairman

On behalf of the Board of Directors of Saudia Dairy and Foodstuff Company (SADAFCO), it is my pleasure to present to you SADAFCO's Annual Report for the twelve months ending 31st March 2018.

This document includes the Financial Year-End Results, the Auditor's Report and a summary of the highlights of the year's performance and accomplishments.

SADAFCO continues to experience challenging business conditions and a declining market across key product segments. Despite this, the Company continues to pursue its short and long-term objectives aimed at sustained value creation for the shareholders.

The Company has successfully defended and grown its market shares across key product segments in an intensely competitive market. This has been supplemented by renewed focus on managing costs by 'right sizing' its operations. SADAFCO continues to invest in increasing operational efficiency, enhancing visibility and controls in procurement, manufacturing, warehousing and distribution channels. This approach has successfully delivered a net profit of SAR 260 million, translating into earnings per share of SAR 8.03.

The Company continues to maintain a tight grip on credit control and is highly disciplined in evaluating capital investments thereby further strengthening its liquidity. SADAFCO's strong operational profitability and robust liquidity has supported payment of an interim dividend of SAR 2/ share in Dec 2017 and the Board recommends an additional SAR 2/share subject to the approval by General Assembly. A total of SAR 4/ share for the full financial year.

The Company continues to invest in future growth and is continuously evaluating appropriate opportunities. During the year, SADAFCO announced that it was entering into discussions concerning a potential strategic acquisition of Mlekoma, a Polish company specializing in the production of milk powders, one of the critical raw materials for SADAFCO's main category - Milk. The due diligence and commercial negotiations are still on-going and require various regulatory approvals and procedural matters to be completed, which are expected to take a few more months.

During our AGM on 24/05/2017, Board Members were re-elected and a new member has been elected. We welcome Mr. Saeid Ahmed Saeid Basamh. At the same time, we would like to thank Mr. Tariq Abdul Salaam, as outgoing member for his contribution during his tenure on the Board. He will continue to stay on as a member of Audit and Nomination and Remuneration Committees of the Board.

On the development front, we were happy to receive the first batch of electro/ mechanical vocational trained young Saudi's through a program jointly supported by Ministry of Labour/ HRDFund/ HIWPT and financed by SADAFCO.

On behalf of SADAFCO's Board of Directors, I would like to express gratitude to the Custodian of the Two Holy Mosques, His Royal Highness the Crown Prince and the Government of Saudi Arabia for their continued efforts to support the private sector in the Kingdom.

My appreciation goes to my fellow Board Members, Shareholders, Executive Management and all SADAFCO employees for their combined and continued efforts to develop and grow the Company.

Hamad Sabah Al-Ahmad
Chairman

Message from the Chief Executive Officer

SADAFCO looks back at 2017-18 as a year of successful business performance, wherein we continued to consolidate our position and increase market share in a challenging environment. We have been able to achieve this through sustained investment in our brand, further improvement in the quality and reliability of our products through supply chain efficiency; thereby delivering a continuously improved value proposition to our consumers.

While the total milk market in Saudi Arabia witnessed a 10% decline in value terms, we recorded an increase in our market share. In fact, two of our three key product categories, Milk and Ice Cream saw a further strengthening of our market share, while Tomato Paste witnessed a small decline. Catering to an increasingly 'value conscious' consumer, Saudia expanded its footprint in larger and more economical two-litre plain milk market with the introduction of a low-fat variant in this format. Towards the end of the year, the Company expanded its range in Ketchup with introduction of Fiery Ketchup.

The shrinking market impacted our net sales which for the year ended 31st March 2018 declined by 5.3% to SAR 1.693 billion. However, the carryover impact of last year's attractive raw material prices and our continued focus on controlling costs including 'right sizing' overheads have positively contributed to delivering a solid net profit of SAR 260 million. Our net margin at 15.4% of net sales remains the healthiest among international and regional peers.

We are focused on augmenting capacity and upgrading facilities at our three factories and all of which continue to be certified with the highest standards of safety and environment impact. During the year, we successfully concluded the Tabuk Distribution Centre which became operational in late 2017. The Jeddah Central Warehouse project will house manufacturing facilities and be a logistics hub for the three factories and warehouses in SADAFCO's network, and is expected to be completed on time during 2018 and result in significant cost savings and operational efficiencies. Furthermore, the upgrade of the Riyadh Regional Distribution Centre to provide a significant increase in storage capacity for frozen products, has gone 'live' in early 2018.

We continue to work in close cooperation with Ministry of Labour, HRD Fund and the HIWPT to develop technical skills amongst young Saudis enabling them to qualify and participate in the labor market. We are now happy to inform that the first batch of graduates have joined our operations and the second batch is under training, thereby building a solid foundation of local vocational trained specialists in our operations.

Our management team comprises professionals that bring their passion, commitment and experience to our operations. We have on board our new CFO, Mr. Ian Gowlett who brings with him 20 years of experience in the FMCG food industry with brands like Twinings, Pepsi and Taylors of Harrogate.

In closing, I would like to state that for the coming year we have, again, plotted a clear calibrated path to strive for growth through a combination of organic, inorganic growth and innovation. We will continue to evaluate value accretive growth opportunities that will either enhance our product portfolio or help achieve greater control over critical raw materials. In doing so we consciously aspire towards generating higher shareholder value.

We would like to thank the Board of Directors for their continuous support, our staff for their dedication and hard work, our customers & suppliers and last but most importantly our loyal consumers whom we try to serve better every time.

Waltherus "Wout" Matthijs
Chief Executive Officer

Executive Management

The SADAFCO Executive Management team is (from the left) Paul van Schaik (Director Organizational Development), Marek Mierzejewski (Director Sales & Distribution), Raffael Reinders (Director Supply Chain), Shehzad Altaf (Director Marketing and Trade Marketing), Wout Matthijs (Chief Executive Officer) and Ian Gowlett (Chief Financial Officer).

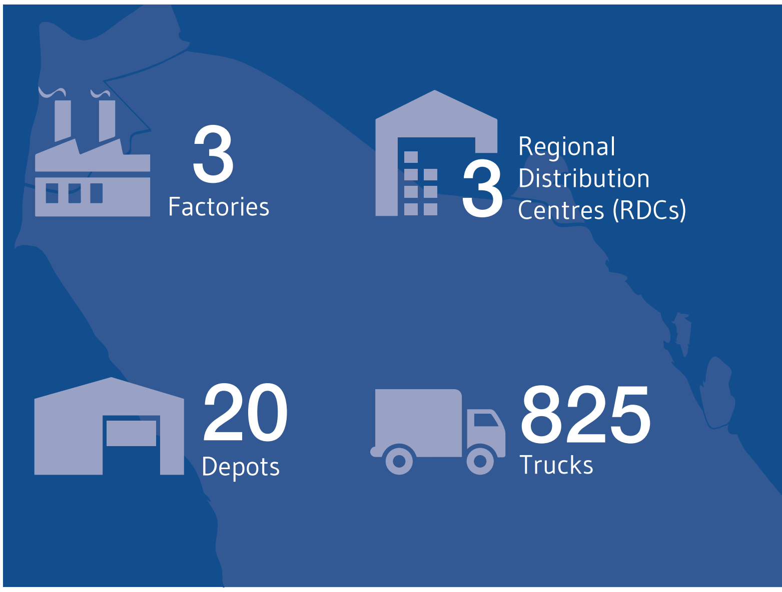
History

The Saudia Dairy and Foodstuff Company (SADAFCO) story began on 21st April 1976 when a joint venture between three dairy companies in Jeddah, Madinah and Dammam was formed between Saudi, Kuwaiti and European businessmen and the Company began production with Saudia Milk at the Jeddah Factory in 1977.

Ten years later the European partners sold their shares to Saudi and Kuwaiti shareholders and in 1990 the three dairy companies merged into one to officially form SADAFCO.

An initial public offering (IPO) on 23rd May 2005 led to the Company's listing on the Saudi Arabian Stock Exchange, Tadawul.

In 2016, the Company celebrated its 40th anniversary. From producing long life milk initially, the Company has diversified its product portfolio offering various food and beverage items. During this period, SADAFCO has maintained its position as a market leader in Long Life Milk, Tomato Paste and Ice Cream in Saudi Arabia.



Main Activities of the Company

SADAFCO is a leading, world-class, Saudi Arabia-based company whose activities include local production, importation, distribution and marketing of a wide range of food and beverage products. The portfolio includes dairy products, ice cream, tomato paste, snacks, drinks and other foodstuff items.

SADAFCO currently offers around 118 Stock Keeping Units (SKU) with its core products being marketed under its flagship Saudia brand. Other trademarks in the portfolio include Crispy, Baboo, Majestique, Sensations and JUMP!.

The Company operates three factories in Jeddah (two) and Dammam. All these factories have highest safety and environment standards and are also Halal certified. It has an established sales and distribution network, with three Regional Distribution Centres (RDCs) in Riyadh, Jeddah and Dammam and 20 depots across Saudi Arabia, Bahrain, Qatar, Kuwait and Jordan. The Company operates a fleet of more than 825 trucks and vans for its primary and secondary distribution network.

SADAFCO's products are also made available to select Middle Eastern and North African markets such as Libya and Sudan through the Company's export function.

Introduction

SADAFCO achieved net sales of SAR 1.693 billion in 2017-18, reflecting a year-on-year decline of 5.3%. However, it further improved its market shares in key product categories (Milk & Ice Cream), indicating strong consumer loyalty towards the Company brands. The Company's total asset base expanded to SAR 1.8 billion, registering growth of 7% over last year. The total shareholder equity of the Company stands at SAR 1.3 billion, an increase of 5% over previous figure. As at 31st March 2018, SADAFCO's market capitalization was SAR 3.8 billion.

Supply Chain

A strong year of development in SADAFCO's manufacturing base, with capital expenditure continuing to focus on increasing both capability and efficiency in production.

In Jeddah Factory, two new mixing plants have been installed and the majority of lines have been converted to Helicap technology. Automated palletizers have been installed in the high-speed area to further improve efficiency on the lines. The newly built offices, also housing a number of ancillary operations, are expected to enhance the working environment in the factory and bring the operational management team closer to the production lines.

In Dammam Factory, production capability has been increased and Water has been added to its product portfolio. Preparations have already started to further broaden the range of products in the factory with some exciting new developments and products planned for early next year.

In Jeddah Ice Cream Factory, two new high-speed lines have been installed, resulting in increased capacity on the wafer line. This has facilitated the recent launch of the new premium cups line in a number of varieties.

All three SADAFCO factories remain certified with ISO22000:2005 (for Food Safety), ISO14001:2004 (for Environment) and OHSAS 18001:2007 (for Occupational Health & Safety). All three factories are also formally Halal certified, which allows SADAFCO to open up some exciting additional export opportunities.

The Company's three factories produce the following products:

Jeddah Factory produces Plain and Flavoured Milk, Laban, Laban with Fruit, Soy Milk, Evaporated Milk, Date Milk and Thick Cream.

Jeddah Ice Cream Factory produces a variety of different Ice Cream lines including the new Sensations premium range.

Dammam Factory produces Tomato Paste, Feta Cheese, Crispy Snacks, Arabic Coffee, Juice Drinks and Flavoured Sparkling Water. It has recently started producing Still Water for sale in SADAFCO's new Ice Cream Boutiques.

In addition to products produced within our Factories, SADAFCO also sources products produced by third party manufacturers which include French Fries, Butter, Triangle Cheese, Ketchup, Instant Milk Powder and Tinned Sterilized Cream.

The Procurement department within supply chain remains a key function in continuing to globally source the highest quality ingredients at competitive prices and build strong supplier partnerships to deliver high quality packaging material on a 'just in time' basis. Raw and Packaging material is stored in close proximity to the factories to both minimize logistics costs and provide smooth supply to the factory production sites on a continual basis.

Over the course of the year, SADAFCO transported over 47 million cases of finished goods from the factories and the RDC to the depots travelling in excess of 20 million kms. Vehicles are tracked through advanced telematics that facilitate instant fleet location, product protection through temperature monitoring and route optimization.

Numerous projects have been undertaken over the course of the year to improve efficiency, increase visibility & control. Selected depots have also been upgraded through expansion or relocation initiatives.

The Traceability project has been successfully completed and SADAFCO can now instantly identify any pallet in any location and trace its journey back through the supply chain, transportation and production right upto the source raw material batch received from a supplier. The project has also delivered full control of the releasing mechanism of pallets (following successful laboratory results) to the central Quality Control, who can now release vast amounts of stock in a matter of seconds and also maintain full control of any recall procedure.

The first module of the Demand and Supply Chain Planning (DSCP) software suite, namely the Demand Planning module is live and the second module is under software development. This first module facilitates accurate forecasts based on statistical algorithms factoring seasonality profiles and underlying trends. This is expected to enhance product availability to customers, minimise wastage and further optimise working capital for finished goods.

The newly built depot in Tabuk is now live and business has been transferred to the new location in late 2017. The upgrade of the Riyadh Regional Distribution Centre to provide hugely increased storage capacity for frozen products has gone live in early 2018.

Construction of the new Jeddah Central Warehouse (JCW) has started. On completion, this facility will be the largest warehouse in the SADAFCO network storing finished goods, raw and packaging materials in addition to hosting a bakery production site at the same location. Operations in the new warehouse are expected to commence in January 2019, delivering significant operational benefits and associated cost savings.

Commercial

There have been multiple extreme commercial headwinds. These include lower consumption base and lower consumption per capita due to less disposable income and VAT imposition, eroding market value due to excess milk supply and consequent reduction in price/ ltr. Inspite of these challenges, SADAFCO has improved its market share in Milk in the preceding year in a declining market, which witnessed deep price reduction resulting in the value declining at a faster pace than the decline in volume (7.6% decline in volume & 10.1% decline in value). The continued market share growth shows our consumers' faith and loyalty to the value proposition being offered by Saudia.

Nielsen Retail Audit for February 2018 indicated that Saudia brand improved its No.2 position in the Plain Milk market to 31.6%, while Saudia Tomato Paste retained its No.1 position. In the Ice Cream category, Saudia remains the most popular choice for ice cream consumers, improving its market share to 24.8%.

The Company's product portfolio includes Plain Milk, Flavored Milk, Enhanced Nutrition Milk, Plain Laban, Laban and Fruit, Evaporated Milk, Instant Milk Powder, Sterilized and Thick Cream, Tomato Paste, Ketchup, Arabic Coffee, Snacks, Cheese, Drinks, Ice Cream, French Fries and Butter categories.

SADAFCO continues to identify important market segments and address sizable and recognizable gaps in these segments through differentiated products. Catering to a growing "value conscious" consumer, Saudia expanded its footprint in larger and more economical 2-litre Plain Milk market with the introduction of Low Fat variant in this format. Flavored Milk packaging was also redesigned to cater to our core audience – the kids. The new packaging depicting animal characters clearly stands out from the rest and has been especially well received in the social media with favourable comments. Towards the end of the year, the Company expanded its range in Ketchup with the introduction of Fiery Ketchup.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saudia
EVAPORATED MILK
يعطي الشاي

My Saudia Kitchen Campaign 2017-18

SADAFCO Frozen Business segment revitalized some products from current portfolio and launched some new ones in 2017. The premium segment has been an area of considerable focus witnessing a revamp of premium cones and enhanced distribution of premium cups. The recent revamp of Saudia Butter is intended to differentiate the product's shelf presence and strengthen Company's share in the category.

The year saw a successful culmination of Collect & Win (C&W) consumer promotion – pioneering app driven gameplay in the region. Saudia engaged thousands of children in this augmented reality experience developed specially for Saudia and distributed 25,000 prizes to our consumers rewarding their loyalty. Towards the end of year, Saudia came out with the new exciting "Taste for Life" campaign on TV, outdoor media, and digital. The campaign is targeted at togetherness of family moments but with a funky twist that places the homemaker at the centre of these moments – this rhymes in well with our core purchase decision maker, the homemaker.

Taste for Life: TV Commercial

Social media and Digital media play an ever-increasing role in spreading the message of SADAFCO and the Saudia brand. Successful initiatives were introduced through Facebook, Instagram, Twitter and Snapchat to build awareness, encourage trials and promote campaigns like JUMP! targeting teenagers which ran exclusively on their most popular digital sites.

My Saudia Kitchen initiative continues to engage homemakers in an informal fun setting and promotes our cooking categories of Paste, Evaporated Milk, Cream, Milk Powder, Cheeses and Gold Milk while providing opportunities to sample our other products focused on teens, kids and adults.

During February 2018, SADAFCO participated in the Janadriyah cultural festival in Riyadh with the Saudia Pavilion providing an opportunity for consumers to learn about SADAFCO and its brands while also getting the chance to sample some key products across categories.

The Sales & Distribution team continued to focus on effective Route to Market, as well as leveraging the functionalities of newly implemented Mobile Sales Force Automation (MFSA) system to drive the quality of in-store execution and achieve core replenishment KPIs. This attention was aimed at harnessing the strength SADAFCO has in its reach of over 23,500 ambient customers and 18,500 frozen customers through a network of nearly 500 sales routes. These routes are serviced by temperature-controlled vehicles, allowing the Company to distribute its portfolio from distribution warehouses to customers while always assuring quality in sometimes harsh climatic conditions.

Visitors Inside the Pavilion of SADAFCO at Al Janadriya Festival

The new MSFA system allowed optimization of all daily routes with the use of geo-locations to ensure best time efficiency and improved route productivity. As a consequence, the same number of outlets have been covered through 17 fewer routes and improved in-store execution level. The Automation system and new standards have been successfully implemented in all 23 Distribution Centers across KSA, GCC and Jordan for both, Ambient and Frozen routes. New functionalities and focus on discipline in execution have delivered improvement in replenishment KPI's. Adherence to the journey plan reached 97% in traditional trade with a strike rate of 81%. These process improvements have contributed to the successful secondary distribution management of SADAFCO's large product portfolio resulting in higher value market share in large groceries (73% at end of the year vis-a-vis 69% in March 2017).

Organizational Development

SADAFCO ended the financial year with 2,701 employees (2,399 staff on payroll and 302 casuals), a reduction in headcount by 144 employees compared to last year.

Despite being one company, the Ministry of Labor's Nitaqat system classified SADAFCO as a company operating in two different sectors. As such, the system which measures the levels of nationals working within SADAFCO gave two results instead of one. In general, SADAFCO maintained its green zone status, however, the Nitaqat system put stress on certain functions, in particular the sales function.

SADAFCO's support to Corporate Social Responsibility reflected in e.g. its commitment to employ women and people with special needs and to continuously develop and train Saudi nationals throughout the Company in order to stimulate job availability and career growth.

Women are empowered across all functions and at different levels. Same applies to employment of people with special needs. At the year-end SADAFCO employed 105 women and 28 people with special needs; together almost 6% of its workforce in KSA.

The co-operation with the Higher Institute for Water and Power Technologies (HIWPT) in Rabigh resulted in the first group of 11 trainees graduating on 14th March 2018, with an investment of SAR 1.4 million. A graduation ceremony was held to celebrate this occasion. The 11 trainees have in the meantime become employees and have been succeeded by a new group of 21 trainees who started their training on 21st January 2018. On successful completion of their training they too will join SADAFCO as employees. As such SADAFCO is developing and securing future staff comprised of Saudi nationals – a task in alignment with Vision 2030.

SADAFCO further continued its emphasis on training and development. This was demonstrated in the training initiatives and the solid and meaningful Individual Development Plans (IDPs) for the Saudi workforce. Training for non-Saudi staff was incorporated as per business needs. During the year, 553 staff members have been provided training on the required aspects.

SADAFCO is and always has been a health-conscious company. In 2017-18 health consciousness was stimulated again through various programs: Employees' team sports were sponsored, e.g. cricket, basketball and football teams in Jeddah and Dammam. For the sixth year running employees benefited from a reduced-fee for fitness club membership. The Company doctor regularly conducted health awareness and health education programs throughout the Company. All these initiatives have been with the aim to encourage a healthier lifestyle and have a fit SADAFCO.

2018-19 will be yet another challenging year due to changing regulations, an outflow of expatriates and an emphasis on quality recruitment of scarce Saudi nationals with high salary expectations. We shall pick up these challenges to demonstrate that working for SADAFCO is working in a winning team.

Corporate Social Responsibility

SADAFCO persists in its endeavors to serve the community in which it operates and this involvement takes many different forms.

CSR initiatives during the year have included:

- In Jeddah and Dammam, the Company has been involved as a strategic partner with MODON's 2017 School Visitation Program by hosting groups of school children to show them how products are manufactured from raw materials.
- SADAFCO sponsored sporting activities and supplied free products to schools in various locations across the Kingdom.

- The Company contributed products to charities and schools catering to special needs.
- SADAFCO also contributed products to Quran schools.
- SADAFCO supported schools with healthy breakfast initiatives during the year, including on the International Milk Day.
- The Company supported Ministry of Health vaccination programs.
- SADAFCO sponsored Arab Beverages Conference & Exhibition 2017.

Main Activities for the Company and its Subsidiaries

Product	Activity Revenue (SAR million)	Percentage (%)
Milk	1,114	66
Tomato Paste	168	10
Ice Cream	229	14
Powdered Milk	31	2
Cheese	42	2
Others	109	6
Total	**1,693**	**100**

Revenue Geographical Analysis for the Company and its Subsidiaries

Financial Year	KSA (SAR million)	GCC (SAR million)	Middle East (SAR million)	Total Revenue (SAR million)
2017-18	1,604	62	27	1,693
2016-17	1,668	91	28	1,787
2015-16	1,839	97	47	1,983

Sales Contribution by Product Category

Product	Contribution (%) 2017-18	Contribution (%) 2016-17	% Point Change
Milk	66	67	-1
Tomato Paste	10	11	-1
Ice Cream	14	12	2
Powdered Milk	2	2	0
Cheese	2	2	0
Others	6	6	0
Total	**100**	**100**	


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حليب
كامل الدسم

Main Activities of
Subsidiary Companies

The main activities of the SADAFCO subsidiary companies in Kuwait, Bahrain, Qatar and Jordan are selling and distributing SADAFCO products in these countries.

Product	Activity Revenue (SAR million)	Percentage (%)
Milk	43	54
Tomato Paste	12	15
Ice Cream	8	10
Powdered Milk	2	2
Cheese	10	13
Others	5	6
Total	**80**	**100**

Revenue Geographical Analysis for Subsidiaries

Financial Year	GCC (SAR million)	Middle East (SAR million)	Total Revenue (SAR million)
2017-18	62	18	80
2016-17	91	16	107
2015-16	97	13	110

Sales for SADAFCO and Subsidiaries by Location

Country	Sales 2017-18 (SAR million)	Percentage (%)	Sales 2016-17 (SAR million)	Percentage (%)
Saudi Arabia	1,604	95	1,668	93
Bahrain	41	2	39	2
Qatar	9	1	42	2
Kuwait	11	0	9	1
Jordan	19	1	17	1
Export	9	1	12	1
Total	**1,693**	**100**	**1,787**	**100**


جديد
NEW
السعودية
Saudia
كتشاب الطماطم
Tomato Ketchup
شكراً ماما

SADAFCO's Subsidiaries names, main activities, headquarter locations and percentage ownerships

SADAFCO owns shares in subsidiary companies to help achieve its targets and distribute its products as mentioned below:

	Company	Main Activity	Country	Paid Up Capital	Number of Shares	Ownership (%)
1	SADAFCO Qatar Company (LLC)	Sale, Distribution of Dairy Products and Goods.	Qatar	QR 1,500,000	1,500	75%
2	SADAFCO Bahrain Company (SPC)	Import, Export, Sale, Distribution of Dairy Goods, Ice Cream and Goods	Bahrain	BD 50,000	500	100%
3	SADAFCO Kuwait Foodstuff Company	Distribution of Dairy and Foodstuffs	Kuwait	KD 50,000	100	49%
4	SADAFCO Jordan Foodstuff Company LLC	Import, Sale, Distribution and Marketing of Dairy, Ice Cream and other foodstuffs	Jordan	JD 250,000	250,000	100%

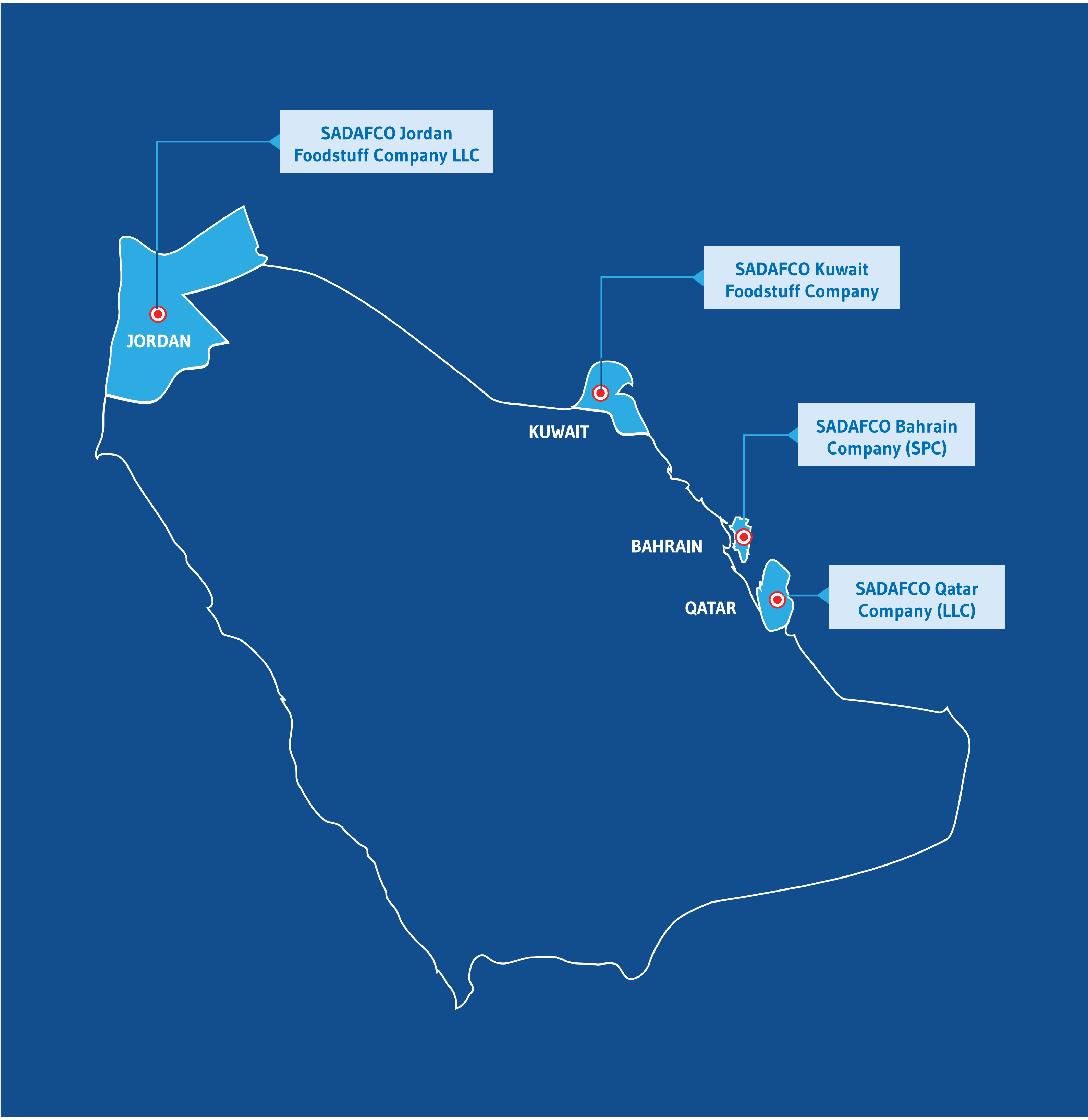
On 19th July 2016, the Extraordinary General Assembly has approved to liquidate the below mentioned three subsidiaries companies. All procedures of the liquidation were completed, Commercial Registrations were cancelled and announced in Tadawul on 24th May 2017.

1) National Buildings Real Estate – Closed Joint Stock Company

2) United Gulfers Transport – Closed Joint Stock Company

3) National Sights Holding – Closed Joint Stock Company

None of the above–mentioned Subsidiaries have any debt instruments issued.


SADAFCO Jordan Foodstuff Company LLC
JORDAN
SADAFCO Kuwait Foodstuff Company
KUWAIT
SADAFCO Bahrain Company (SPC)
BAHRAIN
QATAR
SADAFCO Qatar Company (LLC)

Key Performance Indicators

The decrease in Net Profit for the 4th quarter by 32.5% compared to the same quarter last year mainly due to a reduction in sales of 11.9% as a result of combination of a shrinking consumer base, with less disposable income, alongside irrational competitor discounting (on the back of a glut of domestic fresh milk).

Our commitment to pursue profitable sales, combined with favorable raw materials prices, enabled us to continue to deliver a healthy Gross Margin of 36.4% (last year of 38.9%).

Further, Zakat provision for the quarter is higher due to finalization of zakat base for the year, however the charge is similar to the previous year for the full year.

This was compensated by a reduction in Selling and Distribution expenses by 8%, due to lower volumes and tight cost control, and lower in General & Administration expenses by 27%.

We received deposit income of SAR 1.8 million in the quarter.

The reason of decrease in Net Profit for the twelve month period by 14.5% compared to the same period last year is mainly due to a reduction in net sales of 5.3% owing to the current market situation, shrinking consumer base, less disposable income and irrational competitors pricing. Gross Margin was 1.2% lower due to impact of global key materials. General & Administration expenses decreased by 10.2% due to cost control. Selling & Distribution expenses were lower by 2.4% as a result of lower sales. Net Deposit income from our cash balance contributed SAR 7 million. Overall, our Net Profit delivery of SAR 260 million (SAR 304 million last year), represents a return of 15.4% of Net Sales (17% last year).

The decrease in Net Profit by 14.3% compared to the previous quarter is mainly due to decline in sales by 9.8% owing to adverse market conditions mentioned above. Gross Margin of 36.4% improved slightly due to decision to refrain from unprofitable pricing policies. General & Administration expenses decreased by 21.4% due to improved control. Selling & distribution expenses decreased by 3.6% due to lower sales. Net Profit of 13.2% of Net Sales lower than 13.9% achieved in previous quarter.

Certain of the prior period amounts have been reclassified to conform to the presentation in the current period, wherein we converted from SOCPA to IFRS.

Sales for the 4th quarter were SAR 379 million compared to SAR 430 million for the same quarter last year, a decrease of 11.9%. For the twelve month period sales were SAR 1,693 million compared to SAR 1,787 million last year, a decrease of 5.3%.

Shareholder Equity (after minority interest) for the current period increased to SAR 1,321 million compared to SAR 1,261 million for the same period last year, an increase of 5%. Total Comprehensive Income for the 4th Quarter is SAR 44 million compared to SAR 76 million for the same quarter last year, a decrease of 42% and 24% lower than the previous quarter of SAR 58 million. Total Comprehensive Income for the twelve months is SAR 255 million compared to SAR 312 million a decrease of 18% - out of which a major part was attributable to IFRS adjustment on EOSB.

Whilst we remain alert and agile in light of the new realities we face, we remain committed to delivering profitable sales investing behind our brands, and delivering a respectable return on our sales. We do not project an imminent balancing in domestic fresh milk supply versus demand and are working on enhancing our existing broad non-UHT Milk range, as well as adding to our overall consumer proposition. We remain committed to continuing to invest behind our Saudia brand, as it is a key component in delivering sales that are profitable. SADAFCO continues to maintain its leadership position in UHT Milk, Tomato Paste and Ice Cream. Although we are facing challenging market conditions, we remain confident that we are well placed to meet existing and new consumer needs, and deliver sustainable returns in the future to our shareholders.

The company maintains a healthy cash position of SAR 559 million with zero leveraging.

Income Statement (SAR million)

Net Sales

2017-18 **1,693**

2016-17 1,787

Cost of Sales

2017-18 **(1,059)**

2016-17 (1,097)

Gross Profit

2017-18 **634**

2016-17 690

Selling & Distribution Expenses

2017-18 **(277)**

2016-17 (284)

General & Administrative Expenses

2017-18 **(84)**

2016-17 (93)

Financial Income, Net/ Other Income

2017-18 **8**

2016-17 12

Zakat

2017-18 **(21)**

2016-17 (21)

Net Profit

2017-18 **260**

2016-17 304

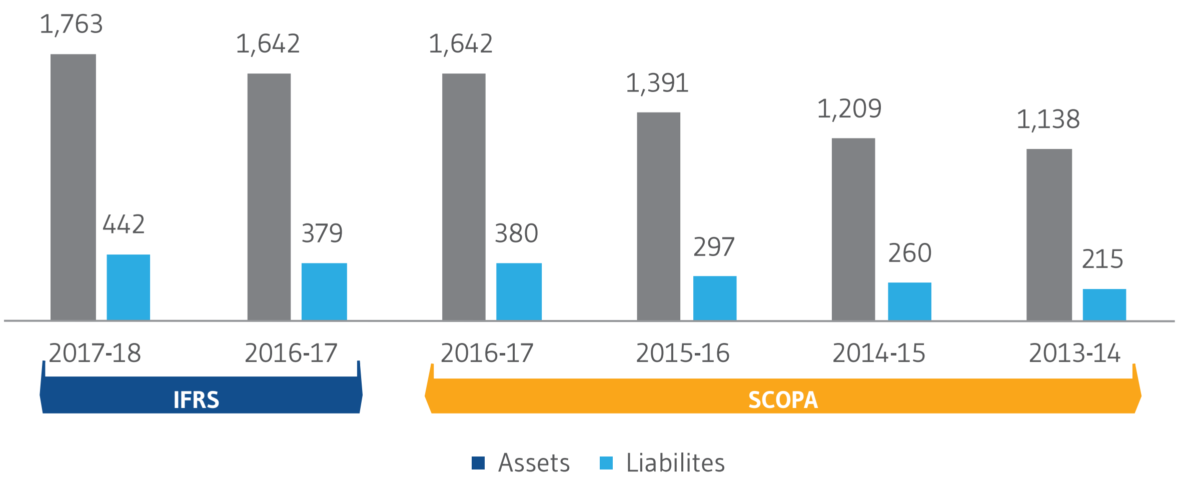
2016-17 Income Statement has been reclassified as per International Financial Reporting Standards (IFRS)

Business Results Comparison (SAR million)

Details	2017-18	2016-17	2016-17	2015-16	2014-15	2013-14
Revenue	1,693	1,787	1,858	1,983	1,807	1,553
Cost of Revenue	-1,059	-1,097	-1,097	-1,274	-1,255	-1,060
Gross Profit	634	690	761	709	552	493
Net Profit	260	304	302	261	141	172
	IFRS		SOCPA			

Assets & Liabilities Comparison (SAR million)

Details	2017-18	2016-17	2016-17	2015-16	2014-15	2013-14
Current Assets	1,100	1,044	1,044	813	617	640
Non Current Assets	663	598	598	577	592	498
Total Assets	**1,763**	**1,642**	**1,642**	**1,391**	**1,209**	**1,138**
Current Liabilities	329	271	269	196	176	135
Non Current Liabilities	113	108	111	100	84	81
Total Liabilities	**442**	**379**	**380**	**297**	**260**	**215**
	IFRS		SOCPA			

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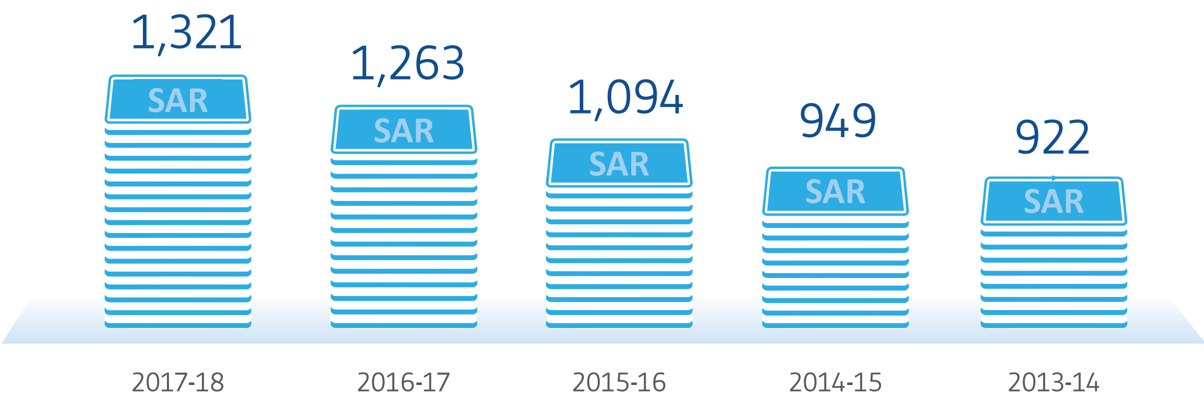
Operational Results and Major Changes (SAR million)

Details	2017-18	2016-17	Changes (+) or (-)	% of Changes	2016-17
Revenue	1,693	1,787	-94	-5%	1,858
Cost of Revenue	-1,059	-1,097	38	-3%	-1,097
Gross Profit	634	690	-56	-8%	761
Other Operational Revenue	1	5	-4	-71%	
Other Operational Expenses	-361	-377	17	-5%	-450
Operational Profit	274	318	-44	-14%	311
	IFRS				SOCPA

Statutory Payments for 2017-18 (SAR thousand)

Description	Due	Paid	Balance
Customs	15,494	15,494	-
Zakat	20,748	20,748	-
GOSI	11,301	11,301	-
Tadawul Contract	529	529	-
Government Fees & Visas	12,483	12,483	-
Tax	10,159	10,159	-
Total	**70,713**	**70,713**	**-**

Change in Total Shareholders' Equity (SAR million)




SIEMENS
SIMATIC HMI
TOUCH


السعودية
saudia
milk
WHOLE
milk
LOW FAT
milk
SKIMMED
milk
GOLD LABEL
LABAN
Date Milk
Soy
ARABIC COFFEE

Names of Board of Directors, Committees Members and Executive Management

Board of Directors

	Name	Current Positions in SADAFACO & Other Company	Previous Positions in SADAFCO & Other Company	Qualifications	Experiences
1.	HH Sheikh Hamad Sabah Al-Ahmad	Chairman	Chairman	Diploma from Storm King School, USA	‣ Chairman of SADAFCO – Saudi Arabia ‣ Chairman of KIPCO – Kuwait ‣ Chairman of Gulf Egypt Hotels & Tourism Company – Egypt
2.	Mr Faisal Hamad Mubarak Al-Ayyar	Vice Chairman	Vice Chairman	Aviation, USA	‣ Vice Chairman of KIPCO – Kuwait ‣ Vice Chairman of Gulf Insurance Company – Kuwait ‣ Vice Chairman of Kuwait Jordanian Bank – Jordan ‣ Vice Chairman of SADAFCO – Saudi Arabia ‣ Vice Chairman of United Gulf Bank – Bahrain
3.	Mr Abdullah Yaqoob Bishara	Member	Member	International Law University, Oxford, UK	‣ Board Member SADAFCO – Saudi Arabia ‣ Board Member of KIPCO – Kuwait
4.	Mr Tariq Mohammad Abdul-salam	Member	Member	Bachelor of Commerce – Kuwait University	‣ CEO of Investment Sector, KIPCO – Kuwait ‣ CEO United Real Estate Company – Kuwait ‣ Vice Chairman and General Manager of KIPCO – Kuwait
5.	Mr Ahmed Mohamed Hamed Al-Marzouki	Member	Member	MBA – California State University – America	‣ Sales & Marketing SADAFCO – Saudi Arabia ‣ Board Member SADAFCO – Saudi Arabia ‣ Executive Management in various companies
6.	Mr Suleiman Saud Jarallah Al-Jarallah	Member	Member	Military School – Saudi Arabia	‣ Manager Al Jarallah for Gold and Jewellery – Saudi Arabia ‣ Board Member SADAFCO – Saudi Arabia ‣ Chairman Nomination and Remuneration Committee SADAFCO – Saudi Arabia
7.	Mr Mussad Abdullah Abdul Aziz Al-Nassar	Member	Member	Bachelor of Public Administration – Al Bakrki University – USA	‣ Board Member SADAFCO – Saudi Arabia ‣ Sales Administrative SADAFCO ‣ Executive Manager SADAFCO ‣ Manager of SADAFCO Bahrain ‣ Manager of SADAFCO Qatar ‣ Vice Chairman of SADAFCO Jordan

Board of Directors Formation and Capacity

The Board of Directors is constituted of seven members elected for the term starting 1st April 2015 and ending 31st March 2018.

Name	Capacity
HH Sheikh Hamad Sabah Al-Ahmad	Non-executive
Mr Faisal Hamad Mubarak Al-Ayyar	Non-executive
Mr Abdullah Yaqoob Bishara	Independent
Mr Tariq Mohammad Abdulsalam	Non-executive
Mr Ahmed Mohamed Hamed Al-Marzouki	Independent
Mr Suleiman Saud Jarallah Al-Jarallah	Independent
Mr Mussad Abdullah Abdul Aziz Al-Nassar	Executive

On 24th May 2017, general assembly meeting elected seven board members for three years starting from 01/04/2018 to 31/03/2021 as follows:

1. HH Sheikh Hamad Sabah Al-Ahmad
2. Mr Faisal Hamad Mubarak Al-Ayyar
3. Mr Abdullah Yaqoob Bishara
4. Mr Saied Ahmed Saied Basamh
5. Mr Ahmed Mohamed Hamed Al-Marzouki
6. Mr Suleiman Saud Jarallah Al-Jarallah
7. Mr Mussad Abdullah Abdul Aziz Al-Nassar

On 01/04/2018 Board of Directors appointed HH Sheikh Hamad Sabah Al-Ahmad as Board Chairman and Mr. Faisal Hamad Mubarak Al-Ayyar as Vice Chairman for the Board period starting from 01/04/2018 to 31/03/2021 and announced on Tadawul on 01/04/2018.

Audit Committee

	Name	Current Position	Previous Position	Qualifications	Experiences
1.	Mr Faisal Hamad Mubarak Al-Ayyar	Vice Chairman	Vice Chairman	Aviation, USA	▸ Vice Chairman of KIPCO – Kuwait ▸ Vice Chairman of Gulf Insurance Company – Kuwait ▸ Vice Chairman of Kuwait Jordanian Bank – Jordan ▸ Vice Chairman of SADAFCO – Saudi Arabia ▸ Vice Chairman of United Gulf Bank – Bahrain
2.	Mr Tariq Mohammad Abdul-salam	Member	Member	Bachelor of Commerce – Kuwait University	▸ CEO of Investment Sector, KIPCO – Kuwait ▸ CEO United Real Estate Company – Kuwait ▸ Vice Chairman and General Manager of KIPCO – Kuwait
3.	Mr Ahmed Mohamed Hamed Al-Marzouki	Member	Member	MBA – California State University – America	▸ Sales & Marketing SADAFCO – Saudi Arabia ▸ Board Member SADAFCO – Saudi Arabia ▸ Executive Management in various companies

On 24th May 2017, general assembly meeting re-elected the above three Audit Committee members for three years starting from 01/04/2018 to 31/03/2021.

Nomination & Remuneration Committee

	Name	Current Position	Previous Position	Qualifications	Experiences
1.	Mr Suleiman Saud Jarallah Al-Jarallah	Chairman	Chairman	Military School - Saudi Arabia	▸ Manager Jarallah Jewellery – Saudi Arabia ▸ Board Member SADAFCO – Saudi Arabia ▸ Chairman Nomination and Remuneration Committee SADAFCO – Saudi Arabia
2.	Mr Faisal Hamad Mubarak Al-Ayyar	Member	Member	Aviation, USA	▸ Vice Chairman of KIPCO – Kuwait ▸ Vice Chairman of Gulf Insurance Company – Kuwait ▸ Vice Chairman of Kuwait Jordanian Bank – Jordan ▸ Vice Chairman of SADAFCO – Saudi Arabia ▸ Vice Chairman of United Gulf Bank – Bahrain
3.	Mr Tariq Mohammad Abdulsalam	Member	Member	Bachelor of Commerce – Kuwait University	▸ CEO of Investment Sector, KIPCO – Kuwait ▸ CEO United Real Estate Company – Kuwait ▸ Vice Chairman and General Manager of KIPCO – Kuwait

On 01/04/2018 Board of Directors appointed the three mentioned above as member in Nomination & Remuneration Committee for the period from 01/04/2018 to 31/03/2021 and announced on Tadawul 01/04/2018, also the committee members based on the resolution issued by them on 02/04/2018 they select Mr. Suleiman Saud Jarallah Al-Jarallah as Chairman of the committee.

Executive Management

Mr Waltherus C.P. Matthijs
Chief Executive Officer

Wout's professional experience spans over 35 years in the FMCG food and diverse industrial sectors across Europe, Central America, Africa and the Middle East. He joined SADAFCO as its Chief Executive Officer in January 2008 and devised & implemented a well-crafted strategy focused on rejuvenating the Company and accelerating its growth. Under his stewardship, SADAFCO has more than doubled its turnover and quadrupled its profits and market capitalization.

Prior to joining SADAFCO, Wout had a decade long stint at Friesland Campina, an international leader in the FMCG food sector, where he headed the Exports division and thereafter its GCC operations. Prior to that he worked in leadership roles at diverse industrial firms such as Royal van Ommeren Ceteco (a multinational trading, distribution and industrial conglomerate), DEC Flexible Technologies (a producer of HVAC components) and SPMetalWavin (then a subsidiary of Shell producing industrial & household packaging materials).

Education: Wout has graduation degrees in Naval Architecture from the "H.T.S. Dordrecht" as well as in Business Administration from The Netherlands.

Mr Paul van Schaik
Director Organizational Development

Paul is responsible for projects enhancing the organizational development and performance across the Company. He joined SADAFCO in March 2011. His professional career spans over 30 years of which 15 years in the FMCG industry. Prior to joining SADAFCO, he worked internationally with Friesland Campina, Deloitte & Touche, Netherlands Foreign Investment Agency and KLM Royal Dutch Airlines.

Education: Paul has completed his Masters in Business Administration from University of Amsterdam.

Mr Raffael Josef Reinders
Director Supply Chain

Raffael is responsible for the operations including planning, sourcing and production (make and deliver) in the value chain of SADAFCO. He joined SADAFCO in December 2010. Previously, he has held several management positions in Friesland Campina across various countries. Overall, he has more than 29 years of global experience in the dairy and food industry.

Education: Raffael has degrees in dairy and food & beverage technology as well as in business & economics.

Mr Marek Mierzejewski
Director Sales & Distribution

Marek is responsible for the sales & distribution operation. He joined SADAFCO in 2016. Prior to joining SADAFCO, Marek held several senior sales positions in DANONE Baby Nutrition division (Poland and Indonesia), P&G and the Gillette Company (Poland) and has more than 20 years of experience in B2B sales.

Education: Marek has Management degree from High School of Economics Warsaw and Master of Rehabilitation from Academy of Physical Education Warsaw.

Mr Shehzad Altaf
Director Marketing & Trade Marketing

Shehzad is responsible for developing SADAFCO's marketing strategy in line with the Company's objectives. He also oversees the design and implementation of relevant brand marketing plans. Previously, he worked as Financial Controller – Management Reporting within the organization since March 2015. Before joining SADAFCO, he spent 12 years with Royal Friesland Campina in Saudi Arabia and Ghana.

Education: Shehzad graduated in Electrical Engineering from Oklahoma University and completed his MBA from Lahore University of Management Sciences. He is also a registered Chartered Financial Analyst

Mr Ian Gowlett*
Chief Financial Officer

Ian is responsible for SADAFCO's financial management, accounting and reporting practices as well as ICT management. He recently joined SADAFCO as Chief Financial Officer. Prior to joining SADAFCO, he has worked with Pepsi, Twinings and Taylors of Harrogate and brings with him almost 20 years of experience in finance in the FMCG industry.

Education: Ian graduated with a Bachelor's science degree from University of West of England (UWE). He is also a qualified Chartered Management Accountant (ACMA).

* Mr Ian Gowlett (Chief Financial Officer) joined the Company on 14th January 2018 and disclosed to CMA

The names of companies inside or outside the Kingdom of which the board member is a member in its current Board of Directors and former Boards of Directors or a Manager

Name of BOD Member	Name of current companies of the BOD Member who is a member in their boards or its directors	Inside/ Outside KSA	Legal Entity (Listed/ Unlisted/ Limited)	Name of companies of the BOD Member who is a member in their boards Or its directors	Inside / Outside KSA	Legal Entity (Listed/ Unlisted/ Limited)
HH Sheikh Hamad Sabah Al-Ahmad	• Saudia Dairy & Foodstuff Co. (SADAFCO) • Kuwait Investment Project Holdings • Gulf Egypt Hotels and Tourist Company	KSA Kuwait Egypt	Listed Listed Listed	• Burgan Bank • National Mobile Company • United Real Estate Company • United Gulf Bank	Kuwait Kuwait Kuwait Bahrain	Listed Listed Listed Listed
Mr Faisal Hamad Mubarak Al-Ayyar	• Saudia Dairy & Foodstuff Co. (SADAFCO) • Kuwait Investment Project Holdings • United Gulf Bank • Jordan Kuwait Bank • Gulf Insurance Company • Panther Media Group	KSA Kuwait Bahrain Jordan Kuwait UAE	Listed Listed Listed Listed Listed Limited			
Mr Abdullah Yaqoob Bishara	• Saudia Dairy & Foodstuff Co. (SADAFCO) • Kuwait Investment Project Holdings • Consulting Office for Strategic Studies	KSA Kuwait Kuwait	Listed Listed Limited	• United Real Estate Company • North Africa Holding	Kuwait Kuwait	Listed Unlisted
Mr Tariq Mohammad Abdulsalam	• Saudia Dairy & Foodstuff Co. (SADAFCO) • United Real Estate Company • Kuwait Clearing Company • KAMCO for Investment • Qurain Petrochemical Industries Co.	KSA Kuwait Kuwait Kuwait Kuwait	Listed Listed Unlisted Listed Listed	• Royal Capital • Burgan Bank • United Gulf Bank • Jordan Kuwait Bank • Kuwait Investment Project Holdings • North Africa Holding • Kuwait Bahrain Insurance Company	UAE Kuwait Bahrain Jordan Kuwait Kuwait Bahrain	Listed Listed Listed Listed Listed Unlisted Listed
Mr Ahmed Mohamed Hamed Al-Marzouki	• Saudia Dairy & Foodstuff Co. (SADAFCO) • Multiple Investments for Medical Services • Saudi Arabian Drug Store	KSA KSA KSA	Listed Limited Limited	• Swiss Premium Food • Saudi New Zealand Milk Products Co.	Egypt KSA	Unlisted Limited
Mr Suleiman Saud Jarallah Al-Jarallah	• Saudia Dairy & Foodstuff Co. (SADAFCO) • Al Jarallah for Gold & Jewellery	KSA KSA	Listed Est.			
Mr Mussad Abdullah Abdul Aziz Al-Nassar	• Saudia Dairy & Foodstuff Co. (SADAFCO) • SADAFCO Jordan • SADAFCO Qatar • SADAFCO Bahrain	KSA Jordan Qatar Bahrain	Listed Limited Limited SPC	• National Buildings Real Estate • United Gulfers Transport • National Sights Holding • Swiss Premium Food • Saudi New Zealand Milk Products Co.	KSA KSA KSA Egypt KSA	Unlisted Unlisted Unlisted Unlisted Limited

Number and date of Board of Directors meetings during the financial year (01/04/2017 to 31/03/2018)

The board had three attended meetings and passed 19 resolutions by circulation.

Name	Attended (3)			Resolution by Circulation (19)																			Total
				2017														2018					
	27/09/17	12/02/18	26/03/18	06/04	19/04	25/04	03/05	09/05	11/05	17/05	09/07	13/07	30/07	10/10	19/10	24/10	29/11	18/01	20/02	26/02	27/02	27/03	
HH Sheikh Hamad Sabah Al-Ahmad	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr Faisal Hamad Mubarak Al-Ayyar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr Abdullah Yaqoob Bishara	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr Tariq Mohammad Abdulsalam	×	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	20
Mr Ahmed Mohamed Hamed Al-Marzouki	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr Suleiman Saud Jarallah Al-Jarallah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr Mussad Abdullah Abdul Aziz Al-Nassar	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21

Date of last AGM meeting: 20/11/2017

Share Ownership of Board of Directors, Spouses and Minor Children

	Name	1st April 2017	31st March 2018	% Change (+/-)
1.	HH Sheikh Hamad Sabah Al-Ahmad Representing: United Industries Company	1,000	1,000	-
2.	Mr Faisal Hamad Mubarak Al-Ayyar Representing: United Gulf Bank	1,000	1,000	-
3.	Mr Abdullah Yaqoob Bishara	1,000	1,000	-
4.	Mr Tariq Mohammad Abdulsalam Rep: Al Qurain Petrochemicals Industries	13,036,461	13,036,461	-
5.	Mr Ahmed Mohamed Hamed Al-Marzouki	22,250	22,250	-
6.	Mr Suleiman Saud Jarallah Al-Jarallah	1,000	1,000	-
7.	Mr Mussad Abdullah Abdul Aziz Al-Nassar	11,000	11,000	-

Share Ownership of Executive Management Team, Spouses and Minor Children

	Name	1st April 2017	31st March 2018	% Change (+/-)
1.	Mr Waltherus Matthijs	3,500	3,500	-
2.	Mr Paul van Schaik	0	0	-
3.	Mr Raffael Josef Reinders	0	0	-
4.	Mr Marek Mierzejewski	0	0	-
5.	Mr Shehzad Altaf	0	0	-
6.	Mr Sriram Chandran*	0	0	-
7.	Mr Ian Gowlett**	0	0	-

The Board of Directors and Executive Management team members, their spouses and children do not have any rights or preference shares or debt instruments relating to the Company or any of its Subsidiaries.

*Mr Sriram Chandran (Chief Financial Officer) left the Company on 30th October 2017 and disclosed to CMA

** Mr Ian Gowlett (Chief Financial Officer) joined the Company on 14th January 2018 and disclosed to CMA

Board Committees

1) The Audit Committee

Competencies, powers and responsibilities of the Audit Committee

The Audit Committee shall be competent in monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems. The duties of the audit committee shall particularly include the following:

a) Financial Reports:

1) Analysing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency;

2) Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy;

3) Analysing any important or non-familiar issues contained in the financial reports;

4) Accurately investigating any issues raised by the Company's chief financial officer or any person assuming his/her duties or the Company's compliance officer or external auditor;

5) Examining the accounting estimates in respect of significant matters that are contained in the financial reports; and

6) Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.

7) The committee will review with Executive Management and External & Internal Auditors separately the following:

- Any major difference between management and independent auditor or internal audit administration relating to preparation of financial statement
- Any difficulties aroused during audit (including any instructions) to the scope of work or reaching to the required information

8) The committee should discuss with Auditor without attendance of the management, their decision of the quality and relevance and acceptability to the Company's accounting principles and disclosure practices as followed currently by the Company when issuing the financial reports.

b) Internal Audit:

1) Examining and reviewing the Company's internal and financial control systems and risk management system;

2) Analysing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports; and

3) Monitoring and overseeing the performance and activities of the Internal Auditor and Internal Audit department of the Company, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties. If the Company has no Internal Auditor, the committee shall provide a recommendation to the Board on whether there is a need to appoint an Internal Auditor.

4) Providing a recommendation to the Board on appointing the manager of the Internal Audit unit or department, or the Internal Auditor and suggest his/her remunerations.

c) External Auditor:

1) Providing recommendations to the Board to nominate External Auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts;

2) Verifying the independence of the External Auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards;

3) Reviewing the plan of the Company's External Auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provides its opinion thereon;

4) Responding to queries of the Company's External Auditor; and

5) Reviewing the External Auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith.

d) Ensuring Compliance:

1) Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith;

2) Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions;

3) Reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith; and

4) Reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

On 27/02/2018 Board of Directors approved to update the Audit Committee Policy and recommended to present it in the next AGM for voting.

The committee held two attended meetings and ten resolutions were passed by circulation.

Audit Committee Members and their Meetings during 2017-18

Name	Capacity	Attended		By Circulation										Total
				2017							2018			
		27/09/17	12/02/18	02/04	18/04	27/04	02/05	14/06	29/07	18/10	17/01	01/02	25/02	
Mr. Faisal Hamad Mubarak Al-Ayyar	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12
Mr. Tariq Mohammad Abdulsalam	Member	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	11
Mr. Ahmed Mohamed Hamed Al-Marzouki	Member	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12

2) The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members.

Competencies of the Nomination and Remuneration Committee

The competences of the Nomination and Remuneration Committee are:

1) Preparing a clear policy for the remunerations of the Board Members and its committees and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that linked to performance, and disclosing and ensuring the implementation of such policy;
2) Clarifying the relation between the paid remunerations and the adopted remuneration policy, and highlighting any material deviation from that policy.
3) Periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives; and
4) Providing recommendations to the Board in respect of the remunerations of its members, the Committee Members and Senior Executives, in accordance with the approved policy.
5) Suggesting clear policies and standards for membership of the Board and the Executive Management;
6) Providing recommendations to the Board for the nomination or re-nomination of its members in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty;
7) Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions;
8) Determining the amount of time that the member shall allocate to the activities of the Board;
9) Annually reviewing the skills and expertise required of the Board Members and the Executive Management;
10) Reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure;
11) Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest if a Board Member also acts as a member of the Board of Directors of another company;
12) Providing job descriptions for the Executive, Non-Executive and Independent Directors and the Senior Executive Management;
13) Setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant; and
14) Determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.

On 27/02/2018 Board of Directors approved to update the Remuneration and Nomination Committee Policy and recommended to present it in the next AGM for voting.

The committee held two attended meetings and four resolutions were passed by circulation.

Nomination and Remuneration Committee Members, Meetings and Resolutions during 2017-18

Name	Capacity	Attended Meetings		Resolutions by Circulation				Total
		27/09/17	12/02/18	25/04/17	30/04/17	08/05/17	26/02/18	
Mr Suleiman Saud Jarallah Al-Jarallah	Chairman*	✓	✓	✓	✓	✓	✓	6
Mr Faisal Hamad Mubarak Al-Ayyar	Member	✓	✓	✓	✓	✓	✓	6
Mr Tariq Mohammad Abdulsalam	Member	✗	✓	✓	✓	✓	✓	5

* Mr. Suleiman Al Jarallah (independent) appointed as of 26/04/2017 as chairman of the committee (N&R Committee resolution by circulation dated 25/04/2017)

The procedures performed by the Board of Directors to inform its members – especially the Non-executives – about the suggestions and remarks of the shareholders regarding the Company and its performance.

Remarks, suggestions, and questions raised by the shareholders shall be recorded in the Ordinary/Extraordinary General Assembly's minutes. The answers for their queries shall be recorded in the minutes and followed-up with the implementation of any applicable suggestion with the Company's Executive Management. These suggestions shall be represented during the Board meetings following the General Assemblies of the Company and shall be discussed among its members.

Performance Assessment of the Board of Directors

The Board of Directors shall encourage its members to perform their duties effectively to achieve the Company's purpose through convening meetings and circular resolutions, whenever it deems necessary to review specific matters or any requests by the Executive Management to the Board in order to make decisions thereof. Assemblies and circular resolutions may be convened as necessity arises.

The Board shall effectively discuss all essential matters, allocate appropriate time, improve the Company's strategy, and monitor the Company's performance to achieve its objective in accordance with its approved annual budget by the Board. The Executive Management shall provide periodic reports for the Company performance to the Board, furthermore, the Board shall ensure compliance with its competences and duties in conformity with the Companies' Law, Capital Market Law and its Executive Regulations, the Company's Bylaw, and any related laws.

The Board shall oversee the process of updating and improving the Company's Governance rules, which is in progress.

The Nomination & Remuneration Committee of the Board shall assess the performance of the Board, its members, its committees, and the Executive Management using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.

Details of the General Assembly meetings held during the last financial year and the names of the members of the Board of Directors present

Attendance record:

Name	1st Meeting 24/05/2017	2nd Meeting 20/11/2017
1. Mr Mussad Abdullah Abdul Aziz Al-Nassar	✓	✓
2. Mr Ahmed Mohamed Hamed Al-Marzouki	✓	✓
3. Mr Suleiman Saud Jarallah Al-Jarallah	✓	✓

Number of CDs requested during the period from 1st April 2017 to 31st March 2018 and dates and reasons for requesting:

No. of Request	Date of Request	Reason
1	26/04/2017	Others
1	28/05/2017	Dividends
1	05/12/2017	Dividends

Details of
Compensation and Remuneration

Board Members

Name	Fixed Remuneration (SAR)							Variable Remuneration (SAR)								
	A certain amount	Attendance allowance for board meetings	Total Committees attendance allowance	In-kind benefits	Details of board members earnings as workers or administrative or other earnings for technical, administrative and consultant services or technical services	Remuneration of Chairman or Managing Director or BOD Secretary if he is a member	Total	% of profit	Periodic Remuneration	Short term motivational plans	Long term motivational plans	Given Shares (value)	Total	End of Service Benefit (SAR)	Grand Total (SAR)	Expenses Allowance(SAR)
Independent Members																
Mr Abdullah Yaqoob Bishara	400,000						400,000								400,000	
Mr Ahmed Mohamed Hamed Al-Marzouki	400,000		40,000				440,000								440,000	
Mr Suleiman Saud Jarallah Al-Jarallah	400,000		20,000				420,000								420,000	
Total	**1,200,000**		**60,000**				**1,260,000**								**1,260,000**	
Non-Executive Members																
HH Sheikh Hamad Sabah Al-Ahmad	400,000						400,000								400,000	
Mr Faisal Hamad Mubarak Al-Ayyar	400,000		40,000				440,000								440,000	
Mr Tariq Mohammad Abdulsalam	400,000		20,000				420,000								420,000	
Total	**1,200,000**		**60,000**				**1,260,000**								**1,260,000**	
Executive Members																
Mr Mussad Abdullah Abdul Aziz Al-Nassar	400,000				491,184		891,184							47,575	938,889	241,308
Total	**400,000**				**491,184**		**891,184**							**47,575**	**938,889**	**241,308**

Executive Management Remuneration for Seven Members including CEO and CFO

Name	Fixed Remuneration (SAR)				Variable Remuneration (SAR)						End of Service Benefit	Total Remuneration of BOD Executive, if any	Total (SAR)
	Salaries	Allowances	In-kind Benefits	Total	Periodic Remuneration	Dividends	Short term plan incentives	Long term plan incentives	Given Shares (Value)	Total			
No. of staff (7)*	5,781,000	1,741,500		7,522,500			3,294,100			3,294,100	843,680	-	11,660,280
Total	**5,781,000**	**1,741,500**		**7,522,500**			**3,294,100**			**3,294,100**	**843,680**	**-**	**11,660,280**

*One of the seven Senior Executives left the Company during the financial year.

Audit Committee Remuneration

	Member	Fixed remuneration (except for the allowance for attending Board meetings)	Allowance for attending the meetings	Total (SAR)
1.	Mr. Faisal Hamad Mubarak Al-Ayyar		20,000	20,000
2.	Mr. Tariq Mohammad Abdulsalam		10,000	10,000
3.	Mr. Ahmed Mohamed Hamed Al-Marzouki		20,000	20,000
	Total		**50,000**	**50,000**

Note: Two members attended two meetings and one member attended one meeting

Remuneration for Nomination & Remuneration Committee

	Member	Fixed remuneration (except for the allowance for attending Board meetings)	Allowance for attending the meetings	Total (SAR)
1.	Mr Faisal Hamad Mubarak Al-Ayyar		20,000	20,000
2.	Mr Tariq Mohammad Abdulsalam		10,000	10,000
3.	Mr Suleiman Saud Jarallah Al-Jarallah		20,000	20,000
	Total		**50,000**	**50,000**

Note: Two members attended two meetings and one member attended one meeting

On 26/02/2018, Nomination and Remuneration Committee approved the remuneration policy for the Board of Directors, Board committees and Executive Management, presented to the Board of Directors and got it approved on 27/02/2018 with the recommendation to present it to the next General Assembly for voting and approval. The policy was prepared in accordance with companies corporate governance. Nomination and Remuneration committee recommends Board of Directors' remunerations which is to be presented to the General Assembly for voting and approval and as per the company by laws and also recommends the remunerations for the executive management as per the corporate governance regulations, companies law, Capital Market Authority regulations and company bylaws . There is no any material diversion from these policies.

Major Shareholders Owning 5% or more and Changes during the Financial Year

	Name	Number of Shares on 1st April 2017	Number of Shares on 31st March 2018	Percentage Ownership on 1st April 2017	Percentage Ownership on 31st March 2018	% Change (+/-)
1.	Al Qurain Petrochemicals Industries Company	13,036,461	13,036,461	40.11%	40.11%	-
2.	Al-Samh Trading Co Ltd	3,798,008	3,798,008	11.69%	11.69%	-

Annual Internal Audit Results Review
of the Effectiveness of the Internal Control Procedures

The Board has approved the annual risk-based internal audit plan and ensured its timely and effective implementation. The Internal Audit (IA) department reviews the adequacy, efficiency and effectiveness of the internal control systems and ensures that such systems are being properly implemented. This is accomplished as part of the approved risk-based audit annual plan and executed throughout the year. The Board also ensures that management is taking action on reported issues, including the introduction of policies and procedures, which will enhance controls. Management has developed risk management manuals that will contribute to a more solid risk management process.

Based on the internal and external audit reports during the current year and management's representation with respect to the effectiveness of the Company's internal and financial control systems, no major control issues that require disclosure have been noted and thus the Board believes that these systems are effective.

Related Party
Transactions

The Company enters into transactions with related parties using the same criteria applied to all other parties and under the best terms of trade. Related Parties are defined as SADAFCO Board Members, Major Shareholders and Senior Executives or any of their first-degree relatives, in line with the regulations and guidelines of the Capital Markets Authority (CMA) and the Ministry of Commerce and Investment (MOCI) in this regard. Transactions with these parties require disclosure.

Below a summary of these related party transactions that the Board recommended for approval and renewal for another year starting 1st July 2017 by the Shareholders Assembly meeting.

Company Name	Country	Nature of Transaction	Value (SAR)	Closing Balance (SAR)
Buruj Co-Op Insurance Company	KSA	Insurance Services	9,650,112	242,776

SADAFCO entered into a one year contract with Al Buruj Cooperative Insurance Company (offering insurance services) starting on 1st July 2017 and ending on 30th June 2018 as its offer was the most suitable in terms of the price and benefits. Mr Faisal Hamad Al-Ayyar (Vice Chairman of SADAFCO), is the Vice Chairman of the Gulf Insurance Company owning 28.5% in Al Buruj Cooperative Insurance Company (indirect interest).

The SADAFCO Ordinary General Assembly meeting held on 24th May 2017 approved this transaction and agreed to its renewal for another year starting on 1st July 2017 to 30th June 2018.

SADAFCO's
Dividend Distribution Policy

a) According to Article 50 of the Company bylaws, the Company's annual net profits shall be distributed as follows:

1) 10% of the net profits are to be set aside to form the Company's statutory reserve. The Ordinary General Assembly may choose to stop this reserve once it reaches 30% of the capital paid.

2) The Ordinary General Assembly based on the proposal of the Board may set aside (10%) of the net profits to form voluntary reserve to be allocated to the determined objective or objectives as per the resolution made by the Shareholders Ordinary General Assembly.

3) The Ordinary General Assembly may resolve to form other reserves to meet the interests of the Company, or to ensure the distribution of fixed dividends for shareholders, as possible. The mentioned assembly may likewise deduct amounts from the net profits to establish social institutions for the Company's employees or to assist the performance of such institutions.

4) The balance thereafter shall be distributed among the shareholders in a proportion representing (5%) of the paid-up capital.

5) Subject to the provisions laid down in Article 24 of the Company Bylaws, and Article 76 of the Companies' Law, a proportion of (10%) of the balance shall thereafter be allocated to remunerate the Board of Directors, provided that the remunerations and financial benefits for each BOD member shall not exceed SAR 500,000.

b) Distribution of Interim Dividends:

The Company may distribute interim dividends to its shareholders on a bi-annual or quarterly basis after fulfilling the following legal requirements:

1) The issuance of annual resolution by the General Assembly authorizing the Board to distribute interim dividends.

2) The Company should be generating profits on a regular basis and be able to reasonably foresee the scale of its profits.

3) The Company should have a sound liquidity position,

4) The Company shall have distributable profits based on the latest audited financial statements. These profits should be sufficient to cover the proposed dividend distribution, after deducting the amounts already distributed as cash dividends or capitalized as stock dividends, after the date of these financial statements.

In addition to any official requirements that may be requested by any concerned bodies in KSA.

% Dividend distributed during the financial year from 01/04/2017 to 31/03/2018		% of Dividend recommended for distribution end of year	Total Dividend
	1st Half Year Dividend		
%	20%	20%	40%
Total (SAR)	**65,000,000**	**65,000,000**	**130,000,000**

Note: On 24/05/2017, General Assembly Meeting approved distribution of SAR 4/ share (SAR 130 million) representing 40% of the Share Capital for the financial year ended 31/03/2017.

Major
Decisions and Future Plans

Tabuk Project

As announced on 23rd January 2018 on Tadawul, the construction of the new depot was successfully completed within schedule at budgeted cost of SAR 17 million in the leased land from Saudi Industrial Property Authority (MODON) in Tabuk Industrial City. The project was funded through the Company's own resources, generated through operations. The warehouse is now fully operational and is expected to improve overall value chain efficiencies and cater for growth in sales.

Jeddah Warehouse Project

Jeddah Central Warehouse (JCW) is the new logistics and part manufacture hub under construction in Jeddah Industrial City no.1. The SAR 150 million project started in June 2017 and expected completion is November 2018. The Project is on track and is currently at 60% completion stage.

The 35,000 m^2 facility will cater for raw and packaging materials for factory use as well as finished end products from the factory, total of 40,000 pallet capacity. The logistics hub will have the latest high-speed automation logistics system for storage and retrieval of all goods. Additionally, there will be 3 floors of manufacturing with the first stage (bakery production) opening by end of the year.

The latest building design, engineering and automation systems for storage is being employed for this project to ensure a fast & flexible service logistics hub that will cater for the entire network of SADAFCO depots around the Kingdom.

Future Investment

The Company continues to invest in future growth and is continuously evaluating new opportunities. During the year, SADAFCO announced that it was entering in discussions concerning a potential strategic acquisition of Mlekoma, a Polish company specializing in the production of milk powders, one of the critical raw materials for SADAFCO's main category - Milk. The due diligence and commercial negotiations are still on-going and require various regulatory approvals and procedural matters to be completed, which are expected to take a few more months.

International Financial Reporting Standards (IFRS) Implementation

First time adoption of IFRS

These consolidated financial statements for the year ended March 31, 2018 are the first consolidated financial statements the Group has prepared in compliance with International Financial Reporting Standards ("IFRS") and other pronouncements as issued by SOCPA in the Kingdom of Saudi Arabia under the guidelines provided in IFRS "First time adoption of International Financial Reporting Standards". For periods up to and including the year ended March 31, 2017, the Group prepared its consolidated financial statements in accordance with the previous GAAP.

Accordingly, the Group has prepared consolidated financial statements that comply with IFRS that as endorsed by SOCPA applicable as at and for the year ended March 31, 2018, together with the comparative period, as described in the summary of significant accounting policies. In preparing the consolidated financial statements, the Group's opening consolidated statement of financial position was prepared as at 1st April 2016 which is the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its previous GAAP consolidated financial statements, including the consolidated statement of financial position as at 1st April 2016.

IFRS 1 allows first-time adopter's certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has assessed the following exemptions which are available for application and concluded as follows:

Carrying value of property, plant and equipment has been assessed to ensure the compliance with IFRS principles. IFRS 1 deemed cost exemption is also evaluated keeping in view the Group's accounting of property, plant and equipment under previous GAAP. The management assessed that accounting under previous GAAP was in line with IFRS requirements considering the nature and size of Group's operations; consequently, the deemed cost exemption was considered but not applied and carrying amount of property, plant and equipment has been carried forward at the date of transition.

Financial Instruments Risk Management
Objective and Policies

The Group's principal financial liabilities comprise trade and other payables. The Group's principal financial assets include trade and other receivables, investment in unquoted equity and cash and short-term deposits. The carrying amounts of the Group's financial instruments are reasonable approximations of fair values.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

Market risk

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2018.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At March 31, 2018 and 2017, the Group does not have any borrowings accordingly no interest rate risk sensitivity is presented.

ii) Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not significantly exposed to fluctuations in foreign exchange rates during its ordinary course of business, as significant transactions of the Group, during the period, are either in Saudi Riyals or US Dollars and there is insignificant risk related to balances stated in US Dollars since the exchange of Saudi Riyal against the US Dollar is fixed in the Kingdom. Moreover, insignificant number of transactions are entered in currencies other than US Dollar and impact of this is considered immaterial by the management of the Group.

iii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities i.e. deposits with banks and financial institutions:

(a) Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on a set of qualitative and quantitative factors and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and provided that are considered doubtful of recovery.

At 31st March 2018, the Group had 5 customers that accounted for approximately 48% (31st March 2017: 42% and 1st April 2016: 46%) of total outstanding trade receivable.

The requirement for an impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customer base is diversified.

(b) Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the period subject to approval of the Group's finance committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group deals with reputable banks with investment grade credit ratings and the credit quality of the cash and cash equivalents can be assessed by reference to external credit ratings.

Credit risk on bank balances is limited as cash balances are held with banks with sound credit ratings ranging from A3 and above.

iv) Liquidity risk

The Group monitors its liquidity risk by regular working capital excess/ shortage assessment and ensuring that it has adequate liquidity to fund its day to day operations. Where necessary, the Group enters into overdraft facility with banks in order to ensure continued funding of operations.

On 27/02/2018, Board of Directors approved the new Risk Management Policy.

Fines Imposed on SADAFCO

No fines/penalties are imposed on the Company during the financial year 2017-2018.

Declarations

SADAFCO declares and confirms the following:

1) Its accounts have been prepared in accordance with correct procedures.
2) The internal auditing has been prepared on a sound basis and has been implemented effectively.
3) There is no doubt about its ability to continue its operations.
4) There are no outstanding loans or dues on the Company.
5) The Company is fully committed to adhere to the rules and regulations stipulated in the Company's by-laws, Companies Law and other relevant ministerial resolutions and Company Law (not already included in SADAFCO's by-laws). There are no fines or penalties imposed neither by the CMA nor any other legal or supervisory entity.
6) None of the BOD members and senior management, including the CEO and CFO, their spouses or children owns any shares in affiliate companies; and no contracts were issued where any of them had a material interest other than those transactions disclosed in this Board Report.
7) No loans were made to any Board Member; SADAFCO has not guaranteed any loans made by any Board or Executive Management Team member.
8) No shareholder waivered his/ her rights to dividends or other material benefits and none of the Executive Management Team members waived their right to receive any salary or compensation.
9) All the shares are common stock with equal voting and other rights in accordance with the law. There are neither preferential shares nor shares with special voting rights outstanding.
10) Following the review and audit of the financial statements by PricewaterhouseCoopers, it was confirmed that SADAFCO's accounts were compiled in line with the accounting standards of the Accounting Standards Committee of the Saudi Organization for Certified Public Accountants (SOCPA). The External Auditors' report was issued without reservation. The financial statements were found to be a true and fair reflection of the Company's financial position and in line with the requirements of companies' law and SADAFCO's articles of association.
11) The Company does not implement any stock options and has not issued any convertible debt instruments.
12) The Company has not set up any reserves or investments for the benefit of its employees.
13) The Company has not setup any treasury shares.

Corporate
Governance Compliance

Corporate governance articles unimplemented and the reasons

Article/Sub Article	Details of Article / Sub Article	Reasons
20/C/10	If he/she served for more than nine years, consecutive or inconsecutive, as a Board member of the Company.	Mandatory "starting from the term of the listed company's board that will be after 1/1/2019
25/8	Develop succession plans for the management of the Company.	In progress
32/B	The Board shall convene no less than four meetings per year, and no less than one meeting every three months.	Guiding paragraph
54/b	The Chairman of the Audit Committee shall be an Independent Director.	Guiding paragraph
57/a	The Audit Committee shall convene periodically, provided that at least four meetings are held during the Company's financial year.	Audit committee had two attended meetings and 10 resolutions by circulation
70	Composition of the Risk Management Committee The Company's Board shall, by resolution therefrom, form a committee to be named the "Rrisk Management Committee". Chairman and majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk manage-ment and finance.	Guiding article and Risk management is under taken by Audit Committee.
71	Competencies of the Risk Management Committee The competences of the Risk Management Committee shall include the following: 1) Developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors; 2) Determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level; 3) Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months; 4) Overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company to determine areas of inadequacy therein; 5) Regularly reassessing the Company's ability to take risks and be exposed to such risks (through stress tests as an example); 6) Preparing detailed reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board; 7) Providing recommendations to the Board on matters related to risk management; 8) Ensuring the availability of adequate resources and systems for risk management; 9) Reviewing the organizational structure for risk management and providing recommendations regarding the same before approval by the Board; 10) Verifying the independence of the risk management employees from activities that may expose the Company to risk; 11) Ensuring that the risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk; and 12) Reviewing any issues raised by the audit committee that may affect the Company's risk management.	Guiding article

Article/Sub Article	Details of Article / Sub Article	Reasons
72	Meetings of the Risk Management Committee The Risk Management Committee shall convene periodically at least once every six months, and as may be necessary.	Guiding article
85	Employee Incentives The Company shall establish programs for developing and encouraging the participation and performance of the Company's employees. The programs shall particularly include the following: 1) Forming committees or holding specialized workshops to hear the opinions of the Company's employees and discuss the issues and topics that are subject to important decisions; 2) Establishing a scheme for granting Company shares or a percentage of the Company profits and pension programs for employees, and setting up an independent fund for such programs; and 3) Establishing social organizations for the benefit of the Company's employees.	Guiding article
87	Social Responsibility The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.	Guiding article, but the Company contributes in charities and social activities as mentioned in Annual Report
88	Social Initiatives The Board shall establish programmes and determine the necessary methods for proposing social initiatives by the Company, which include: 1) Establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities; 2) Disclosing the objectives of the Company's social responsibility to its employees and raising their awareness and knowledge of social responsibility; 3) Disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company's; and 4) Establishing awareness programs to the community to familiarize them with the Company's social responsibility.	Guiding article
95	Formation of a Corporate Governance Committee If the Board forms a Corporate Governance Committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.	Guiding article

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2018
AND INDEPENDENT AUDITOR'S REPORT

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED March 31, 2018

Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO)

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended March 31, 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at March 31, 2018;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Key Audit Matter	• First time adoption of International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia.

Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO) (continued)

Our audit approach (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
First time adoption of IFRS as endorsed in the Kingdom of Saudi Arabia For all periods up to and including the year ended March 31, 2017, the Group prepared its consolidated financial statements in accordance with generally accepted accounting principles as issued by SOCPA ("previous GAAP"). The Group prepared its first annual consolidated financial statements for the year ended March 31, 2018 in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. In preparing the consolidated financial statements, the Group's opening consolidated statement of financial position was prepared as of April 1, 2016, which is the Group's date of transition to IFRS. We considered the transition from previous GAAP to IFRS, that are endorsed in the Kingdom of Saudi Arabia, to be a key audit matter due to its pervasive impact on the consolidated financial statements in terms of recognition, measurement and disclosure. Refer to Note 2 for basis of preparation and adoption of IFRS, Note 3 for accounting policies adopted by the Group and Note 4 for the transition adjustments and other details in connection with the transition from previous GAAP to IFRS.	We performed the following procedures: • Obtained an understanding of the transition differences identified by management between the previous GAAP and IFRS, as endorsed in the Kingdom of Saudi Arabia, and assessed their completeness and appropriateness; • Assessed the competence, objectivity and independence of the management's experts involved in the IFRS transition process, together with the scope of the work they were asked to perform; • Evaluated the key decisions made by the Group with respect to accounting policies, estimates and judgements in relation to the transition to IFRS, that are endorsed in the Kingdom of Saudi Arabia, and assessed their appropriateness based on our understanding of the Group's business and its operations; • Tested all material adjustments made as part of the transition process based on the differences identified by reference to relevant underlying supporting documentation; and • Evaluated the adequacy and appropriateness of the disclosures made in the consolidated financial statements in relation to the transition to IFRS that are endorsed in the Kingdom of Saudi Arabia.

Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO) (continued)

Other information

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

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO) (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

April 23, 2018

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ٣٢٣/١١/٢٥/١
س.ت ٤٠٣٠٢٨٩٠٠٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Consolidated statement of profit or loss
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Year ended March 31,	
	Note	**2018**	**2017**
Revenue – net	6	**1,692,683**	1,786,856
Cost of revenue	8	**(1,059,002)**	(1,096,589)
Gross profit		**633,681**	690,267
Selling and distribution expenses	9	**(277,212)**	(284,102)
General and administrative expenses	10	**(83,884)**	(93,404)
Other operating income		**1,459**	4,996
Operating profit		**274,044**	317,757
Finance income		**6,755**	7,373
Profit before zakat		**280,799**	325,130
Zakat	18	**(20,577)**	(20,690)
Profit for the year		**260,222**	304,440
Profit is attributable to:			
Owners of SADAFCO		**260,877**	303,678
Non-controlling interests		**(655)**	762
		260,222	304,440
Earnings per share:			
Basic and diluted earnings per share attributable (Saudi Riyals) to owners of SADAFCO	11	**8.03**	9.34

The notes from 1 to 26 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Ian David Gowlett
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended March 31, 2018	2017
Profit for the year		**260,222**	304,440
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(414)**	233
Items that will not to be reclassified to profit or loss			
Re-measurement (loss) / gain on employee benefit obligations	22	**(5,457)**	7,283
Other comprehensive income for the year		**(5,871)**	7,516
Total comprehensive income for the year		**254,351**	311,956
Total comprehensive income for the year is attributable to:			
Owners of SADAFCO		**255,050**	311,194
Non-controlling interests		**(699)**	762
		254,351	311,956

The notes from 1 to 26 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar Member Board of Directors	Waltherus Cornelis Petrus Matthijs Chief Executive Officer	Ian David Gowlett Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	March 31, 2018	March 31, 2017	April 1, 2016
Assets				
Non-current assets				
Property, plant and equipment	12	**663,087**	**598,004**	577,203
Other non-current assets		**243**	**243**	243
		663,330	**598,247**	577,446
Current assets				
Inventories	13	**347,901**	**321,429**	381,120
Trade and other receivables	14	**156,809**	**161,798**	171,192
Deposits, advances, prepayments and other assets	15	**36,038**	**16,640**	14,462
Cash and cash equivalents	16	**559,099**	**543,914**	246,284
		1,099,847	**1,043,781**	813,058
Total assets		**1,763,177**	**1,642,028**	1,390,504
Equity and liabilities				
Equity				
Issued share and paid up capital	17	**325,000**	**325,000**	325,000
Statutory reserve	17	**162,500**	**162,500**	162,500
Other reserves	17	**207,923**	**181,835**	151,734
Foreign currency translation reserves		**(1,315)**	**(945)**	(1,178)
Retained earnings		**627,042**	**592,710**	441,850
Equity attributable to owners of SADAFCO		**1,321,150**	**1,261,100**	1,079,906
Non-controlling interests		**222**	**1,569**	1,365
Total equity		**1,321,372**	**1,262,669**	1,081,271
Non-current liability				
Employee benefit obligations	22	**112,672**	**107,835**	109,935
Current liabilities				
Trade and other payables	19	**144,562**	**99,380**	67,304
Accruals and other liabilities	20	**163,805**	**150,359**	115,392
Due to a related party	21	**243**	**1,108**	-
Zakat payable	18	**20,523**	**20,677**	16,602
		329,133	**271,524**	199,298
Total liabilities		**441,805**	**379,359**	309,233
Total equity and liabilities		**1,763,177**	**1,642,028**	1,390,504

The notes from 1 to 26 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar Member Board of Directors	Waltherus Cornelis Petrus Matthijs Chief Executive Officer	Ian David Gowlett Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Attributable to owners of SADAFCO							
	Issued share and paid up capital	**Statutory reserve**	**Other reserves**	**Foreign currency translation reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at April 1, 2016	325,000	162,500	151,734	(1,178)	441,850	1,079,906	1,365	**1,081,271**
Profit for the year	-	-	-	-	303,678	303,678	762	**304,440**
Other comprehensive income	-	-	-	233	7,283	7,516	-	**7,516**
Total comprehensive income for the year	-	-	-	233	310,961	311,194	762	**311,956**
Dividend declared (Note 26)	-	-	-	-	(130,000)	(130,000)	(558)	**(130,558)**
Transfer to other reserves	-	-	30,101	-	(30,101)	-	-	-
Balance at March 31, 2017	325,000	162,500	181,835	(945)	592,710	1,261,100	1,569	**1,262,669**
Profit for the year	-	-	-	-	260,877	260,877	(655)	**260,222**
Other comprehensive income	-	-	-	(370)	(5,457)	(5,827)	(44)	**(5,871)**
Total comprehensive income for the year	-	-	-	(370)	255,420	255,050	(699)	**254,351**
Dividend declared (Note 26)	-	-	-	-	(195,000)	(195,000)	(648)	**(195,648)**
Transfer to other reserves	-	-	26,088	-	(26,088)	-	-	-
Balance at March 31, 2018	325,000	162,500	207,923	(1,315)	627,042	1,321,150	222	**1,321,372**

The notes from 1 to 26 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Ian David Gowlett
Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended March 31, 2018	2017
Cash flow from operating activities			
Profit before zakat		**280,799**	325,130
Adjustments for:			
Depreciation on property, plant and equipment	12	**65,403**	63,466
Gain on disposal of property, plant and equipment	12	**(369)**	(915)
Provision for slow moving and obsolete inventories	13	**3,126**	5,410
Provision for doubtful accounts	14	**2,825**	3,111
Provision for employee benefit obligations	22	**14,230**	13,575
		366,014	409,777
Working capital			
Inventories		**(29,598)**	54,281
Trade and other receivables		**2,164**	6,283
Deposits, advances, prepayments and other assets		**(19,398)**	(2,178)
Trade and other payables		**45,182**	32,076
Accruals and other liabilities		**13,446**	34,967
Due to a related party		**(865)**	1,108
Cash flow from operating activities		**376,945**	536,314
Employee benefit obligations paid	22	**(14,850)**	(8,392)
Zakat paid	18	**(20,731)**	(16,615)
Net cash inflow from operating activities		**341,364**	511,307
Cash flow from investing activities			
Purchase of property, plant and equipment	12	**(130,604)**	(84,760)
Sale proceeds from disposal of property, plant and equipment	12	**487**	1,408
Net cash outflow from investing activities		**(130,117)**	(83,352)
Cash flow from financing activities			
Dividend paid to owners of SADAFCO	26	**(195,000)**	(130,000)
Dividends paid to non-controlling interests in subsidiaries		**(648)**	(558)
Cash outflow from financing activities		**(195,648)**	(130,558)
Net change in cash and cash equivalents		**15,599**	297,397
Effects of exchange rate fluctuations on cash and cash equivalents		**(414)**	233
Cash and cash equivalents at the beginning of year		**543,914**	246,284
Cash and cash equivalents at the end of year		**559,099**	543,914

The notes from 1 to 26 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Ian David Gowlett
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General Information

Saudia Dairy & Foodstuff Company (the "Company" or "SADAFCO", together with its subsidiaries referred to as the "Group") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030009917 issued in Jeddah dated Rabi Al-Akhar 21,1396H (April 21,1976).

The Company and its subsidiaries are primarily engaged in the production and distribution of dairy products, beverages and various foodstuff in the Kingdom of Saudi Arabia and certain other Gulf and Arab countries. Information on the Group's structure is provided in Note 5 of these consolidated financial statements.

On April 23, 2018, these consolidated financial statements were authorized for issue by the Board of Directors.

2 Basis of preparation and adoption of International Financial Reporting Standards (IFRS)

2.1 Basis of preparation

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

For all periods up to and including the year ended March 31, 2017 the Group has prepared and presented statutory consolidated financial statements in accordance with the generally accepted accounting standards in KSA issued by the Saudi Organization for Certified Public Accountants (SOCPA) ("previous GAAP") and 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 these consolidated financial statements.

These are the Group's first consolidated financial statements prepared in accordance IFRS 1 *First-time Adoption of International Financial Reporting Standards*. In preparing these consolidated financial statements, the Group's opening consolidated statement of financial position was prepared as at April 1, 2016, the Group's date of transition to IFRS. An explanation of how the transition to IFRSs has affected the reported consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and cash flows of the Group is provided in Note 4.

These consolidated financial statements have been prepared on a historical cost basis (except for other current assets which are stated at fair values) and are presented in Saudi Riyals being the functional currency of the Group and all values are rounded to nearest thousand except otherwise indicated.

2.2 Standards, interpretations and amendments issued but not yet effective

Since the Group has adopted IFRS effective April 1, 2016 as endorsed by SOCPA in the Kingdom of Saudi Arabia, all amendments / interpretations as applicable to the Group are considered until such date. The Group has not elected to early adopt below IFRS as at April 1, 2016.

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

Standard/ Interpretation	***Description and requirements***	***Effective from periods beginning on or after the following date***
IFRS 15	IFRS 15 establishes a five step model for all types of revenue contracts, accordingly revenue can either be recognised at a point in time or over a period of time. The standard replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for Construction of Real Estate and IFRIC 18 Transfer of Assets from Customers.	January 1, 2018
IFRS 9	IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	January 1, 2018
Amendments to IFRS 9, "Financial instrument"	Prepayment features with negative compensation and treatment of de-recognition of financial liability measured at amortised cost.	January 1, 2019

(All amounts in Saudi Riyals thousands unless otherwise stated)

Standard/ Interpretation	Description and requirements	Effective from periods beginning on or after the following date
IFRS 16	IFRS 16 features a right of use (ROU) model that would require lessees to recognise most leases on the balance sheet as lease liabilities with corresponding right of use assets.	January 1, 2019
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2021
IFRIC 23	Uncertainty over income tax treatments	January 1, 2019

Impact of standards / interpretations on consolidated financial statements

Standard/ Interpretation	***Impact***
IFRS 15	Management has assessed the effects of applying the new standard on the Group's financial statements and concluded the fact that the Group records its sales at a point of time when control is transferred on inventories sold and related impact is considered to be immaterial.
IFRS 9	The Group has reviewed its financial assets and liabilities and is expecting that the majority of the Group's financial assets that are currently classified as loans and receivables and measured at amortised cost meets the conditions for classification at amortised cost. Accordingly, the Group does not expect the new guidance to affect the classification of these financial assets. Management has assessed the effects of applying the new standard on the Group's financial statements and concluded that the new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. Based on the assessments undertaken to date, the Group's management has assessed that the adoption of IFRS 9 will not have material impact on impairment assessment.
IFRS 16	The Group is currently assessing the implications of adopting the standard on the Group's consolidated financial statements.
IFRIC 22	The Group is currently assessing the implications of adopting the standard on the Group's consolidated financial statements.
IFRIC 23	The Group is currently assessing the implications of adopting the standard on the Group's consolidated financial statements.

2.3 Critical accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Information about estimates and judgments made in applying accounting policies that could potentially have an effect on the amounts recognised in the consolidated financial statements, are discussed below:

(i) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates. Also see Note 12 for the net effect of the changes in useful lives on depreciation expense.

(ii) Defined benefit plan

The cost of post-employment defined benefits are the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high quality bonds obligation, as designated by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements and in preparing the opening statement of financial position at April 1, 2016 for the purposes of transition to IFRS, except for the application of relevant exceptions or available exemptions as stipulated in IFRS 1. Details of transition adjustments are disclosed in Note 4.

3.1 Principles of Consolidation

Subsidiary companies

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary. Assets, liabilities income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the Owners of SADAFCO and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill) if any, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss.

3.2 Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset’s highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BOD) and CEO (chief operating decision maker, CODM). The CODM assesses the financial performance and position of the Group, and makes strategic decisions.

3.4 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(All amounts in Saudi Riyals thousands unless otherwise stated)

Sale of goods

Sales represent amounts received and receivable for goods supplied to customers after deducting trade discounts, cash discounts and rebates. Revenues from the sale of products are recognised upon transfer to the customer of significant risks and rewards. Trade discounts, cash discounts and volume rebates agreed with customers are recorded on an accrual basis consistent with the recognition of the related sales.

Finance income

Finance income on short-term deposits are recognised on an accrual basis.

3.5 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the 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. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary assets measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognized in statement of comprehensive income or profit or loss are also recognized in other comprehensive income or profit or loss, respectively).

3.6 Dividends distribution

Dividend distribution to SADAFCO's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by SADAFCO's shareholders.

3.7 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major overhauls is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met and the amounts are expected to be material.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the consolidated statement of profit or loss when incurred.

Depreciation is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of property, plant and equipment as follows;

	%
Buildings	2.5-10
Machinery and equipment	6.7-12.5
Vehicles and trailers	15-25
Furniture, fixtures and office equipment	10-25

An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognized. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial period end and adjusted prospectively, if appropriate.

3.8 Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Lease in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to consolidated statement of profit or loss on a straight-line basis over the period of the lease.

3.9 Investments and other financial assets

a) Financial Assets

(i) Classification

The Group classifies its financial assets as loans and receivables.

(ii) Reclassification

The Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables category are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(iii) Recognition and derecognition

When securities classified as available-for-sale (other non-current assets) are sold, the accumulated fair value adjustments recognised in consolidated statement of comprehensive income are reclassified to the consolidated statement of profit or loss as gains or losses from investment securities.

(iv) Measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(v) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of profit or loss.

b) Financial Liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method. Non-derivative financial liabilities of the group comprises of borrowings and trade and other payables.

Financial assets and liabilities are offset and the net amount is presented in the consolidated 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 realise the asset and settle the liability simultaneously.

3.10 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs of finished goods include material cost, direct labour and appropriate manufacturing overhead. The cost of inventories includes expenditure incurred in acquiring and bringing them to their existing location and condition. Costs are assigned to individual items of inventory on the basis of first-in-first out. Costs of purchased inventory are determined after deducting rebates and discounts.

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

3.11 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and other short term highly liquid investments, with original maturities of three months or less from the purchase date and / or readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

3.12 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

3.13 Zakat and income tax

In accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"), the Group is subject to zakat attributable to the Saudi shareholders. Provisions for zakat are charged to the consolidated statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. For pending zakat assessment years, provisions are assessed at each reporting period depending on the status of zakat assessment.

Zakat and income tax expense are recognized in each period based on the best estimate of the annual zakat and income tax expected for the full financial year.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

3.14 Employee benefit obligations

The Group is operating an unfunded post-employment defined benefit plans. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognized in full in the period in which they occur in the consolidated statement of comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to the consolidated statement of profit or loss in subsequent periods.

Past service costs are recognized in the consolidated statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of sales', 'general and administration expenses' and 'selling and distribution expenses' in the consolidated statement of profit or loss (by function):

- Service costs comprises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- The defined benefit asset or liability comprises the present value of the defined benefit obligation, past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

3.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid in accordance with agreed terms. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.16 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

3.17 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group.
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

3.18 Statutory reserve

In accordance with the new Regulations for Companies in the Kingdom of Saudi Arabia, companies are required to transfer 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. However, according to the Company's By-laws, the Company was required to transfer at least ten percent of net income for the year to a statutory reserve until such reserve equals 50% percent of paid-up capital which was consistent with previous Regulations for Companies. This having been achieved, consequently, the Company resolved to discontinue such transfers. This reserve currently is not available for distribution to the shareholders of the Group.

3.19 Other reserves

In accordance with Company's by-laws, the shareholders decided to create a voluntary reserve by the transfer of 10% of the net income attributable to equity shareholders of SADAFCO to the reserve. The utilization of this reserve is at the discretion of the shareholders. In the current year, transfer has been made to the voluntary reserve.

3.20 Selling, distribution, general and administrative expenses

Selling, distribution and general and administrative expenses include direct and indirect costs not specifically part of cost of revenue. Costs directly and indirectly related to marketing and distribution activities are classified as selling and distribution expenses. All other costs are classified under general and administrative expenses. Allocations between selling, distribution and general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

3.21 Reclassification

In prior periods, certain revenue related rebates which should have been presented as a reduction in revenue were instead shown as selling and distribution expenses and therefore have now been correctly classified in these consolidated financial statements. The reclassification for the year ended March 31, 2017 amounts to Saudi Riyals 70.88 million. Further, few immaterial reclassifications are made within inventories and general and administrative expenses.

4. First time adoption of IFRS

These consolidated financial statements for the year ended March 31, 2018 are the first consolidated financial statements the Group has prepared in compliance with International Financial Reporting Standards ("IFRS") and other standards and pronouncements issued by SOCPA in the Kingdom of Saudi Arabia under the guidelines provided in IFRS "First time adoption of International Financial Reporting Standards". For periods up to and including the year ended March 31, 2017, the Group prepared its consolidated financial statements in accordance with the previous GAAP.

Accordingly, the Group has prepared consolidated financial statements that comply with IFRS that as endorsed by SOCPA applicable as at and for the year ended March 31, 2018, together with the comparative period, as described in the summary of significant accounting policies. In preparing the consolidated financial statements, the Group's opening consolidated statement of financial position was prepared as at 1 April 2016 which is the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its previous GAAP consolidated financial statements, including the consolidated statement of financial position as at 1 April 2016.

IFRS 1 allows first-time adopter's certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has assessed the following exemptions which are available for application and concluded as follows:

- Carrying value of property, plant and equipment has been assessed to ensure the compliance with IFRS principles. IFRS 1 deemed cost exemption is also evaluated keeping in view the Group's accounting of property, plant and equipment under previous GAAP. The management assessed that accounting under previous GAAP was in line with IFRS requirements considering the nature and size of Group's operations; consequently, the deemed cost exemption was considered but not applied and carrying amount of property, plant and equipment has been carried forward at the date of transition.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. First time adoption of IFRS (continued)

4.1 Reconciliation of consolidated equity as at April 1, 2016 (date of transition to IFRS)

	Note	As at April 1, 2016 (Under SOCPA)	Re-measurements	As at April 1, 2016 (Under IFRS)
Assets				
Non-current assets				
Property, plant and equipment		577,203	-	577,203
Other non-current assets		243	-	243
		577,446	-	577,446
Current assets				
Inventories		381,120	-	381,120
Trade and other receivables		171,192	-	171,192
Deposits, advances, prepayments and other assets		14,462	-	14,462
Cash and cash equivalents		246,284	-	246,284
		813,058	-	813,058
Total assets		**1,390,504**	**-**	**1,390,504**
Equity and liabilities				
Equity				
Issued share and paid up capital		325,000	-	325,000
Statutory reserve		162,500	-	162,500
Other reserves		151,734	-	151,734
Foreign currency translation reserves		(1,178)	-	(1,178)
Retained earnings		454,163	(12,313)	441,850
Equity attributable to the owners of SADAFCO		1,092,219	(12,313)	1,079,906
Non-controlling interests		1,365	-	1,365
Total equity		1,093,584	(12,313)	1,081,271
Non-current liability				
Employee benefit obligations	4.5	100,422	9,513	109,935
Current liabilities				
Trade and other payables		67,304	-	67,304
Accruals and other liabilities	4.6	112,592	2,800	115,392
Zakat payable		16,602	-	16,602
		196,498	2,800	199,298
Total liabilities		296,920	12,313	309,233
Total equity and liabilities		**1,390,504**	**-**	**1,390,504**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. First time adoption of IFRS (continued)

4.2 Reconciliation of consolidated equity as at March 31, 2017

	Note	As at March 31, 2017 (Under SOCPA)	Re-measurements	As at March 31, 2017 (Under IFRS)
Assets				
Non-current assets				
Property, plant and equipment		598,004	-	598,004
Other non-current assets		243	-	243
		598,247	-	598,247
Current assets				
Inventories		321,429	-	321,429
Trade and other receivables		161,798	-	161,798
Deposits, advances, prepayments and other assets		16,640	-	16,640
Cash and cash equivalents		543,914	-	543,914
		1,043,781	-	1,043,781
Total assets		**1,642,028**	**-**	**1,642,028**
Equity and liabilities				
Equity				
Issued share and paid up capital		325,000	-	325,000
Statutory reserve		162,500	-	162,500
Other reserves		181,835	-	181,835
Foreign currency translation reserves		(945)	-	(945)
Retained earnings		592,273	437	592,710
Equity attributable to the owners of SADAFCO		1,260,663	437	1,261,100
Non-controlling interests		1,569	-	1,569
Total equity		1,262,232	437	1,262,669
Non-current liability				
Employee benefit obligations	4.5	111,072	(3,237)	107,835
Current liabilities				
Trade and other payables		99,380	-	99,380
Accruals and other liabilities	4.6	147,559	2,800	150,359
Due to a related party		1,108	-	1,108
Zakat payable		20,677	-	20,677
		268,724	2,800	271,524
Total liabilities		379,796	(437)	379,359
Total equity and liabilities		**1,642,028**	**-**	**1,642,028**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. First time adoption of IFRS (continued)

4.3 Reconciliation of consolidated statement of profit or loss for the year ended March 31, 2017

	Note	For the year ended March 31, 2017 (Under SOCPA)	Re-measurement	For the year ended March 31, 2017 (Under IFRS)
Revenue - net		1,786,856	`	1,786,856
Cost of revenue		(1,096,589)	-	(1,096,589)
Gross profit		690,267	-	690,267
Selling and distribution expenses	4.5	(289,569)	5,467	(284,102)
General and administrative expenses	4.6	(90,604)	(2,800)	(93,404)
Other operating income		4,996	-	4,996
Operating profit		315,090	2,667	317,757
Finance income		7,373	-	7,373
Profit before zakat		322,463	2,667	325,130
Zakat		(20,690)	-	(20,690)
Profit for the year		301,773	2,667	304,440
Profit is attributable to:				
Owners of SADAFCO		301,011	2,667	303,678
Non-controlling interests		762	-	762
		301,773	2,667	304,440
Earnings per share:				
Basic and diluted earnings per share (Saudi Riyals) attributable to owners of SADAFCO		9.26	-	9.34

4.4 Reconciliation of consolidated statement of comprehensive income for the year ended March 31, 2017

	Note	For the year ended March 31, 2017 (Under SOCPA)	Re-measurement	For the year ended March 31, 2017 (Under IFRS)
Profit for the year		301,773	2,667	304,440
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations		233	-	233
Items that will not to be reclassified to profit or loss				
Re-measurement gain on employee benefit obligation	4.5	-	7,283	7,283
Other comprehensive income for the year		233	7,283	7,516
Total comprehensive income for the year		302,006	9,950	311,956
Total comprehensive income for the year is attributable to:				
Owners of SADAFCO		301,244	9,950	311,194
Non-controlling interests		762	-	762
		302,006	9,950	311,956

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. First time adoption of IFRS (continued)

4.5 Obligations relating to employees defined benefits plan

Under SOCPA, the Group recognized costs related to its post-employment benefits at current value of the vested benefit to which the employee is entitled. Under IFRS, such liabilities are recognized on an actuarial basis. The change between the current provision and provision based on actuarial valuation liability has been recognized in full against retained earnings. Moreover, current services costs and actuarial gains/losses and other related costs are recognised in the consolidated statement of profit or loss and comprehensive income in the subsequent periods i.e. 2017 and 2018.

4.6 Director remuneration

Under SOCPA, the director remuneration was recognized in retained earnings. Under IFRS, it is recognized under consolidated statement of profit or loss and adjusted accordingly.

4.7 Statement of cash flows

The transition from previous GAAP to IFRS did not have a material impact on the presentation of statement of cash flows.

5 Group information

The consolidated financial statements of the Group includes:

Name	Principal activities	Country of incorporation	% equity interest	
			2018	2017
SADAFCO Bahrain Company SPC	Foodstuff and dairy products	Bahrain	100%	100%
SADAFCO Jordan Foodstuff Company LLC	Foodstuff and dairy products	Jordan	100%	100%
SADAFCO Qatar Company	Foodstuff and dairy products	Qatar	75%	75%
SADAFCO Kuwait Foodstuff Co. W.L.L (*)	Foodstuff and dairy products	Kuwait	49%	49%

(*) Remaining equity interest is beneficially held through parties nominated by the Company.

On October 10, 2017, the Group has signed a non-binding agreement with an intention to acquire a controlling stake in Mlekoma sp. Z.o.o. and its subsidiaries Foodexo sp. Z.o.o, & Mlekoma Dairy Z.o.o (hereinafter referred as “Mlekoma Group”) incorporated and operated in Poland. The estimated enterprise value of acquisition is approximately Saudi Riyals 120 million. As at March 31, 2018, the Group has not acquired the control in Mlekoma Group, accordingly, its results have not been included in the Group’s consolidated financial statements.

6 Segment information

6.1 Operating Segment

Following the management approach in regard to IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors and CEO (Chief Operating Decision Maker), who is responsible for allocating the reportable segments and assessing their performance. The drinks segment represents milk and juice products, while non–drinks represent ice creams, tomato paste, cheese and snacks.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Segment information (continued)

For the year ended March 31, 2018	Drinks	Non- Drinks	Unallocated	Total
Revenue - net	**1,129,505**	**563,178**	**-**	**1,692,683**
Depreciation	**49,529**	**15,874**	**-**	**65,403**
Profit before zakat	**213,409**	**67,390**	**-**	**280,799**

As at March 31, 2018	Drinks	Non- Drinks	Unallocated	Total
Property, plant and equipment	**502,145**	**160,942**	**-**	**663,087**
Current assets	**-**	**-**	**1,099,847**	**1,099,847**
Other non-current assets	**-**	**-**	**243**	**243**
Total assets	**502,145**	**160,942**	**1,100,090**	**1,763,177**
Current liabilities	**-**	**-**	**329,133**	**329,133**
Long-term liabilities	**-**	**-**	**112,672**	**112,672**
Total liabilities	**-**	**-**	**441,805**	**441,805**

For the year ended March 31, 2017	Drinks	Non- Drinks	Unallocated	Total
Revenue – net	1,215,073	571,783	-	1,786,856
Depreciation	48,062	15,404	-	63,466
Profit before zakat	276,537	48,593	-	325,130

As at March 31, 2017	Drinks	Non- Drinks	Unallocated	Total
Property, plant and equipment	452,859	145,145	-	598,004
Current assets	-	-	1,043,781	1,043,781
Other non-current assets	-	-	243	243
Total assets	452,859	145,145	1,044,024	1,642,028
Current liabilities	-	-	271,524	271,524
Long-term liabilities	-	-	107,835	107,835
Total liabilities	-	-	379,359	379,359

The management has categorized its geographical operations as follows:

	2018	2017
Geographic information		
Revenue from external customers		
Kingdom of Saudi Arabia	**1,603,592**	1,668,005
Gulf Cooperation Council (GCC countries)	**61,506**	90,430
Others	**27,585**	28,421
	1,692,683	1,786,856

	March 31,		
	2018	2017	April 1, 2016
Non-current operating assets			
Kingdom of Saudi Arabia	**653,635**	586,824	563,195
Gulf Cooperation Council (GCC countries)	**8,034**	9,579	11,749
Others	**1,661**	1,844	2,502
	663,330	598,247	577,446

6.2 Adjustments

Other non-current assets and current assets, current liabilities and long term liabilities are not allocated to operating segments as they are managed on a Group basis.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Segment information (continued)

6.3 Reconciliation of profit

	2018	2017
Profit before zakat	**280,799**	325,130
Zakat	**(20,577)**	(20,690)
Profit after zakat	**260,222**	304,440

7 Capital management

At March 31, 2018 and March 31, 2017, the Group has no outstanding borrowing arrangements and, therefore, the gearing ratio is not presented.

For the purpose of the Group's capital management, capital includes issued share and paid up capital, statutory reserves, other reserves and foreign translation currency reserves. The primary objective of the Group's capital management is to maximize the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. One of the ways the Group monitors capital is by using a gearing ratio, which is net debt divided by total capital plus net debt.

8 Cost of revenue

	Note	2018	2017
Material and employees cost		**920,197**	911,430
Depreciation	12	**38,508**	36,644
Transportation cost		**43,644**	47,005
Rent		**17,638**	17,249
Other overheads		**39,015**	84,261
		1,059,002	1,096,589

9 Selling and distribution expenses

	Note	2018	2017
Employee costs		**136,964**	134,166
Advertising and sales promotion		**60,938**	64,636
Depreciation	12	**25,322**	25,260
Repairs and maintenance costs		**6,048**	8,983
Insurance		**3,302**	6,392
Rent		**2,732**	4,206
Communication		**2,536**	2,561
Others		**39,370**	37,898
		277,212	284,102

10 General and administrative expenses

	Note	2018	2017
Employee costs		**57,038**	65,714
Directors' remuneration		**2,800**	2,800
Repairs and maintenance costs		**2,672**	2,075
Communication		**2,048**	2,045
Depreciation	12	**1,573**	1,562
Insurance		**522**	777
Rent		**347**	363
Bank charges		**888**	705
Others		**15,996**	17,363
		83,884	93,404

11 Earnings per share

The basic and diluted earnings per share is computed for the year ended March 31 as follows:

	2018	2017
Profit attributable to owners of SADAFCO	**260,877**	303,678
Weighted average number of ordinary shares outstanding (in thousands)	**32,500**	32,500
Basic and diluted earnings per share	**8.03**	9.34

12 Property, plant and equipment

	Land and buildings	Machinery and equipment	Vehicles and trailers	Furniture, fixtures and office equipment	Capital work-in-progress	Total
Cost :						
April 1, 2016	356,756	823,895	215,954	74,892	47,696	1,519,193
Additions	128	2,061	701	286	81,584	84,760
Disposals	(1,424)	(23,116)	(17,271)	(438)	-	(42,249)
Transfers	5,487	46,609	5,508	4,414	(62,018)	-
March 31, 2017	**360,947**	**849,449**	**204,892**	**79,154**	**67,262**	**1,561,704**
Additions	1,755	3,088	3,661	1,146	120,954	130,604
Disposals	-	-	(943)	(3)	-	(946)
Transfers	15,266	6,303	16,382	1,946	(39,897)	-
March 31, 2018	**377,968**	**858,840**	**223,992**	**82,243**	**148,319**	**1,691,362**
Accumulated depreciation						
April 1, 2016	183,741	538,194	154,337	65,718	-	941,990
Charge for the year	12,970	28,207	19,750	2,539	-	63,466
Disposals	(1,346)	(22,908)	(17,106)	(396)	-	(41,756)
March 31, 2017	**195,365**	**543,493**	**156,981**	**67,861**	-	**963,700**
Charge for the year	12,921	31,111	18,368	3,003	-	65,403
Disposals	-	-	(826)	(2)	-	(828)
March 31, 2018	**208,286**	**574,604**	**174,523**	**70,862**	**-**	**1,028,275**
Net book amounts:						
March 31, 2018	**169,682**	**284,236**	**49,469**	**11,381**	**148,319**	**663,087**
March 31, 2017	165,582	305,956	47,911	11,293	67,262	598,004

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Property, plant and equipment (continued)

	Land and buildings	Machinery and equipment	Vehicles and trailers	Furniture, fixtures and office equipment	Capital work-in-progress	Total
Cost :						
April 1, 2015	348,290	769,938	201,263	70,774	67,628	1,457,893
Additions	2,129	657	195	1,624	63,231	67,836
Disposals	-	(4,941)	(1,595)	-	-	(6,536)
Transfers	6,337	58,241	16,091	2,494	(83,163)	-
March 31, 2016	**356,756**	**823,895**	**215,954**	**74,892**	**47,696**	**1,519,193**
Additions	128	2,061	701	286	81,584	84,760
Disposals	(1,424)	(23,116)	(17,271)	(438)	-	(42,249)
Transfers	5,487	46,609	5,508	4,414	(62,018)	-
March 31, 2017	**360,947**	**849,449**	**204,892**	**79,154**	**67,262**	**1,561,704**
Accumulated depreciation						
April 1, 2015	167,801	501,613	135,646	60,979	-	866,039
Charge for the year	15,940	41,522	19,972	4,739	-	82,173
Disposals	-	(4,941)	(1,281)	-	-	(6,222)
March 31, 2016	**183,741**	**538,194**	**154,337**	**65,718**	**-**	**941,990**
Charge for the year	12,970	28,207	19,750	2,539	-	63,466
Disposals	(1,346)	(22,908)	(17,106)	(396)	-	(41,756)
March 31, 2017	**195,365**	**543,493**	**156,981**	**67,861**	**-**	**963,700**
Net book amounts:						
March 31, 2017	**165,582**	**305,956**	**47,911**	**11,293**	**67,262**	**598,004**
April 1, 2016	173,015	285,701	61,617	9,174	47,696	577,203

(a) Depreciation charge for the year ended March 31, has been allocated as follows:

	Note	2018	2017
Cost of revenue	8	**38,508**	36,644
Selling and distribution expenses	9	**25,322**	25,260
General and administrative expenses	10	**1,573**	1,562
		65,403	63,466

(b) The ownership interest of the Group in certain freehold land held in Madinah amounting to Saudi Riyals 1.54 million (2017: Saudi Riyals 1.54 million) is through a third party. The Company holds legal documents confirming its beneficial interest.

(c) The additions during the year amounting to Saudi Riyals 130.604 million (2017: Saudi Riyals 84.760 million), mainly represent completed Tabuk depot. Addition to capital work-in-progress includes under construction Jeddah central warehouse and plant and machinery in the factories.

(d) On the date of transition to IFRS, management of the Group reviewed the property, plant and equipment for impairment and performed assessment of useful lives of property, plant and equipment, in line with industry practice and past usage. A revision in estimated useful lives and other adjustments were identified in various classes of property, plant and equipment and the useful lives are changed from 10 years to a range of 8 to 15 years and also certain assets were identified for impairment. These revisions during the year ended March 31, 2017 resulted in reduction of depreciation expense by Saudi Riyals 12 million and impairment adjustments of Saudi Riyals 12 million. The net impact of such revisions on the profit for the year ended March 31, 2017 and retained earnings as at March 31, 2017 is Nil. For the purpose of reconciliation in relation to first time adoption of IFRS (Note 4), the impact of such revisions was recorded during the three-month period ended March 31, 2017. The revision of useful lives of property, plant and equipment, excluding the impairment adjustment, resulted in higher net profit for the year ended March 31, 2017 amounting to Saudi Riyals 12 million.

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Inventories

	March 31, 2018	March 31, 2017	April 1, 2016
Raw materials	**227,982**	184,652	200,441
Packing materials	**27,664**	34,281	25,421
Finished goods	**80,630**	70,404	59,926
Spare parts, supplies and other items	**13,501**	22,503	27,341
Goods-in-transit	**7,821**	28,363	81,419
	357,598	340,203	394,548
Less: Provision for slow moving and obsolete inventories (see below)	**(9,697)**	(18,774)	(13,428)
	347,901	321,429	381,120

Movement in the provision for slow moving and obsolete inventories is as follows:

	2018	**2017**	2016
April 1	**18,774**	13,428	10,135
Charge for the period	**3,126**	5,410	4,150
Write-off (*)	**(12,203)**	(64)	(857)
March 31	**9,697**	18,774	13,428

(*) Certain spare parts have been written off during the year.

14 Trade and other receivables

	March 31, 2018	March 31, 2017	April 1, 2016
Trade receivables	**166,828**	170,620	177,205
Less: Provision for doubtful accounts (see below)	**(20,159)**	(17,334)	(14,447)
Net trade receivables	**146,669**	153,286	162,758
Net advances and other receivables	**10,140**	8,512	8,434
	156,809	161,798	171,192

As at March 31, 2018, trade receivables with an initial carrying value of Saudi Riyals 20.16 million (2017: Saudi Riyals 17.3 million) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables.

	Individually impaired	Collectively impaired (Note 24)	Total
April 1, 2016	5,209	9,238	**14,447**
Charge for the year	-	3,111	**3,111**
Write-off	-	(224)	**(224)**
March 31, 2017	5,209	12,125	**17,334**
Charge for the year	1,072	1,753	**2,825**
March 31, 2018	6,281	13,878	**20,159**

The ageing of unimpaired trade receivables, is as follows:

	Total	Neither past due nor impaired	Up to 30 days	Up to 90 days
March 31, 2018	**146,669**	**128,256**	**10,365**	**8,048**
March 31, 2017	153,286	147,279	5,452	555
April 1, 2016	162,758	157,125	5,296	337

It is not the practice of the Group to obtain collateral over receivables and the vast majority of receivables are therefore, unsecured. However, unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. Refer Note 24 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 Deposits, advances, prepayments and other assets

	March 31, 2018	March 31, 2017	April 1, 2016
Prepayments	**14,650**	15,351	13,465
Advances to suppliers	**20,075**	-	-
Security and other deposits	**1,313**	1,212	912
Others	**-**	77	85
	36,038	16,640	14,462

16 Cash and cash equivalents

	March 31, 2018	March 31, 2017	April 1, 2016
Cash in hand	**14,686**	9,278	9,030
Balances with banks - current account	**19,041**	19,380	37,254
Murabaha short-term bank deposits	**525,372**	515,256	200,000
	559,099	543,914	246,284

The average rate on short-term bank deposits is 1.73% per annum as of March 31, 2018 (March 31, 2017: 1.18% per annum, April 1, 2016: 2.47% per annum).

17 Capital and reserves

17.1 Authorized capital

	March 31, 2018	March 31, 2017	April 1, 2016
Ordinary share of Saudi Riyals 10 each	**32,500**	32,500	32,500
Issued share and paid-up capital			
March 31	**325,000**	325,000	325,000

17.2 Statutory reserve

In accordance with the new Regulations for Companies in the Kingdom of Saudi Arabia, companies are required to transfer 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. However, according to the Company's By-laws, the Company was required to transfer at least ten percent of net income for the year to a statutory reserve until such reserve equals 50% of paid-up capital which was consistent with previous Regulations for Companies. This having been achieved, consequently, the Company resolved to discontinue such transfers. This reserve currently is not available for distribution to the shareholders of the Group.

17.3 Other reserves

In the prior years, the shareholders decided to create a voluntary reserve by transfer of ten percent of the net income attributable to equity shareholders of SADAFCO to the reserve. The utilization of this reserve is at the discretion of the shareholders. In the current year, transfer has been made to the voluntary reserve.

18 Zakat

18.1 Charge for the year

The zakat charge for the year is based on the standalone financial statements of SADAFCO.

The zakat charge for the year ended March 31, consists of the following:

	2018	2017
Charge for the year	**20,577**	20,690

(All amounts in Saudi Riyals thousands unless otherwise stated)

Zakat charge for the year ended March 31, relating to SADAFCO has been calculated on the Zakat base, the significant components of which are as follows:

	March 31,		
	2018	**2017**	**April 1, 2016**
Capital	**325,000**	325,000	325,000
Adjusted net income	**281,000**	322,773	276,828
Adjusted reserves, provisions and others at the beginning of the year	**1,066,273**	891,912	725,803
Deduction for long-term assets	**(855,000)**	(716,199)	(676,703)
Deduction for investments	**-**	-	(7,322)
Deduction for spare parts	**-**	-	(24,000)
Zakat base	**817,273**	823,486	619,606

18.2 Movements in provision during the year

	2018	**2017**
April 1	**20,677**	16,602
Charge for the year	**20,577**	20,690
Payment during the year	**(20,731)**	(16,615)
March 31	**20,523**	20,677

18.3 Status of assessments

Zakat assessments for the years up to and including 2007 have been finalised with the General Authority for Zakat and Tax (GAZT).

The GAZT has raised assessments for the years ended 31 March 2005 through 31 March 2007. Based on Higher Appeal Committee (HAC) decision, the additional zakat liability from GAZT's viewpoint is Saudi Riyals 4.4 million approximately. After correction of material errors, the additional liability will be in the region of Saudi Riyals 3.8 million approximately and final assessment order from GAZT is awaited.

The GAZT raised final assessments for the years ended March 31, 2008 through March 31, 2011. Revised additional zakat liability based on Preliminary Appeal Committee (PAC) decision is Saudi Riyals 4 million. SADAFCO has lodged a bank guarantee with the GAZT for Saudi Riyals 5.3 million. The HAC rendered its decision on SADAFCO's appeal against PAC's decision. Based on HAC's decision, the additional assessed liability of Saudi Riyals 4 million is likely to reduce further by Saudi Riyals 0.4 million. The management has filed appeal against the HAC's decision to Board of Grievance (BOG).

The GAZT has not yet raised assessments for the years 2012 through 2017.

19 Trade and other payables

	March 31,		
	2018	**2017**	**April 1, 2016**
Trade payables	**136,707**	93,553	63,046
Other payables	**7,855**	5,827	4,258
	144,562	99,380	67,304

20 Accruals and other liabilities

	March 31,		
	2018	**2017**	**April 1, 2016**
Employee related accruals	**53,725**	52,218	38,880
Marketing related accruals	**32,718**	23,524	13,588
Rent and utility accruals	**25,145**	18,908	14,854
Dividend payable	**2,846**	2,433	2,306
Plant and facility maintenance	**6,232**	441	93
Other accruals	**43,139**	52,835	45,671
	163,805	150,359	115,392

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 Related party transactions and balances

(a) Transactions with a related party were undertaken in the ordinary course of business at commercial terms and were approved by the management.

(b) All related party transactions for the year ended March 31, and balances arising there from are described as under:

	Sales to / (purchases from) a related party		Due to a related party		
Entity with significant influence over the Group	**2018**	**2017**	**2018**	**2017**	**April 1, 2016**
Buruj Co-operative Insurance Company (*)	**9,651**	13,423	**243**	1,108	-

(*) These amounts are classified as due to a related party respectively.

The Group's ultimate parent entity is Al Qurain Petrochemicals Industries Company which has shareholding equal to 40.11% of the share capital (2017: 40.11% of the share capital).

Terms and conditions of transactions with related parties

The sales to and purchases from a related party are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2018, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2017: Saudi Riyals Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group

	2018	**2017**
Short-term employee benefits	**14,341**	11,983
Termination benefits	**891**	375
Total compensation paid to key management personnel	**15,232**	12,358

22 Employee benefit obligations

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labor and Workman Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognized in the consolidated statement of profit or loss and consolidated statement of comprehensive income and amounts recognized in the consolidated statement of financial position:

	March 31,		
	2018	**2017**	**April 1, 2016**
Discount rate	3.2%	3.2%	2.6%
Expected rate of salary increase	3.2%	3.6 %	2.8 %
Death in service	Age wise	Age wise	Age wise
Withdrawal before normal retirement period	Age wise	Age wise	Age wise
Net benefit expense recognised in consolidated statement of profit or loss			
Current service cost	**11,293**	10,882	9,845
Interest cost on benefit obligations	**2,937**	2,693	2,530
Net benefit expense	**14,230**	13,575	12,375

(All amounts in Saudi Riyals thousands unless otherwise stated)

Net benefit expense recognised in the consolidated statement of comprehensive income

	2018	2017	April 1, 2016
Actuarial loss / (gain) arising from experience	**9,463**	(8,761)	1,210
Actuarial loss / (gain) arising from changes in financial assumptions	**(4,006)**	1,478	-
	5,457	(7,283)	1,210

Reconciliation of net liability recognized in the consolidated statement of financial position

	2018	2017	April 1, 2016
Net liability as at beginning of the year	**107,835**	109,935	102,584
Interest cost on benefit obligations	**2,937**	2,693	2,530
Current service cost	**11,293**	10,882	9,845
Actuarial (gain) / loss on the obligation	**5,457**	(7,283)	1,210
Benefits paid	**(14,850)**	(8,392)	(6,234)
Net liability at end of the year	**112,672**	107,835	109,935

The weighted average duration of the defined benefit obligation as at March 31, 2018 is 8.15 years (March 31, 2017: 7.85 years, April 1, 2016: 8.86 years).

The scheme is an unfunded scheme with no assets backing the liabilities under the plan. This exposes the employees to the loss of benefits or delay in payments in case of employer's business not being able to meet its obligations or any unforeseen cash flow demands.

The liabilities are based on certain assumptions which pose a risk that in case the assumptions do not materialize as assumed, the liabilities may vary. For this purpose, sensitivity of results to certain key assumptions is indicated below:

Discount rate:

	2018	2017	April 1, 2016
0.25% increase in discount rate	**107,816**	103,195	104,940
0.25% decrease in discount rate	**111,955**	107,340	109,040

Salary escalation rate:

	2018	2017	April 1, 2016
0.25% increase in salary escalation rate	**112,228**	107,327	109,031
0.25% decrease in salary escalation rate	**107,583**	103,198	104,939

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

23 Financial Instruments

23.1 Financial assets

	2018	2017	April 1, 2016
Financial assets at amortised cost			
Trade and other receivables – net	**146,669**	153,286	162,758
Cash and cash equivalents	**559,099**	543,914	246,284
Total financial assets	**705,768**	697,200	409,042

Trade and other receivables
Trade and other receivables are non-derivative financial assets carried at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

(All amounts in Saudi Riyals thousands unless otherwise stated)

23.2 Financial liabilities

	March 31, 2018	March 31, 2017	April 1, 2016
Financial liabilities at amortized cost			
Trade and other payables	**144,562**	99,380	67,304
Accruals and other liabilities	**163,805**	150,359	115,392
Due to a related party	**243**	1,108	-
Total financial liabilities	**308,610**	250,847	182,696

24 Financial instruments risk management objective and policies

The Group's principal financial liabilities comprise trade and other payables and accruals and other liabilities. The Group's principal financial assets include trade and other receivables, investment in unquoted equity and cash and short-term deposits. The carrying amounts of the Group's financial instruments are reasonable approximations of fair values.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

Market risk

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2018.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At March 31, 2018 and 2017, the Group does not have any borrowings accordingly no interest rate risk sensitivity is presented. Further, interest rate risk related to murabaha short-term bank deposits is immaterial as at March 31, 2018 and 2017.

ii) Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not significantly exposed to fluctuations in foreign exchange rates during its ordinary course of business, as significant transactions of the Group, during the year, are either in Saudi Riyals or US Dollars and there is insignificant risks related to balances stated in US Dollars since the exchange of Saudi Riyal against the US Dollar is fixed in the Kingdom of Saudi Arabia. Moreover, insignificant number of transactions are entered in currencies other than US Dollar and impact of this is considered immaterial by the management of the Group.

iii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities i.e. deposits with banks and financial institutions:

(a) Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on a set of qualitative and quantitative factors and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and provided that are considered doubtful of recovery.

At March 31, 2018, the Group had 5 customers that accounted for approximately 48% (March 31, 2017: 42% and April 1, 2016: 46%) of total outstanding trade receivable.

(All amounts in Saudi Riyals thousands unless otherwise stated)

The requirement for an impairment is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customer base is diversified.

(b) Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the period subject to approval of the Group's Finance Committee. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group deals with reputable banks with investment grade credit ratings and the credit quality of the cash and cash equivalents can be assessed by reference to external credit ratings.

Credit risk on bank balances is limited as cash balances are held with banks with sound credit ratings ranging from A3 and above.

iv) Liquidity risk

The Group monitors its liquidity risk by regular working capital excess/shortage assessment and ensuring that it has adequate liquidity to fund its day to day operations. Where necessary, the Group enters into overdraft facility with banks in order to ensure continued funding of operations.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

March 31, 2018	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Trade and other payables	**-**	**144,562**	**-**	**-**	**-**	**144,562**
Accruals and other liabilities	**2,846**	**160,959**	**-**	**-**	**-**	**163,805**
Due to a related party	**243**	**-**	**-**	**-**	**-**	**243**
	3,089	**305,521**	**-**	**-**	**-**	**308,610**

March 31, 2017	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Trade and other payables	-	99,380	-	-	-	99,380
Accruals and other liabilities	2,433	147,926	-	-	-	150,359
Due to a related party	1,108	-	-	-	-	1,108
	3,541	247,306	-	-	-	250,847

April 1, 2016	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Trade and other payables	-	67,304	-	-	-	67,304
Accruals and other liabilities	2,306	113,086	-	-	-	115,392
	2,306	180,390	-	-	-	182,696

(All amounts in Saudi Riyals thousands unless otherwise stated)

25 Commitments and contingencies

(a) At March 31, 2018, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 120.599 million (2017: Saudi Riyals 55.269 million).

(b) As at March 31, 2018, the Group has a contingent liability of Saudi Riyals 10.024 million (2017: Saudi Riyals 10.024 million) in respect of guarantees issued by the Group's bankers to the General Authority of Zakat and Tax.

(c) Operating lease

The Group has land for its factory buildings and depots under an operating lease. Rental expense for the year ended March 31, 2018 amounted to Saudi Riyals 20.72 million (2017: Saudi Riyals 21.81 million). Future rental commitments at March 31 are as follows:

Years ending in:	**2018**	**2017**
Not later than one year	**23,940**	19,790
Later than one year but not later than five years	**16,413**	16,003
Later than five years	**11,695**	13,496
	52,048	49,289

26 Dividends

In the Annual General Assembly meetings of the Group held on May 24, 2017 and November 29, 2017, the shareholders authorized dividends of Saudi Riyals 4 per share and Saudi Riyals 2 per share amounting to Saudi Riyals 130 million and Saudi Riyals 65 million, respectively (for the year ended March 31, 2017: Saudi Riyals 130 million).