



ALMARAI COMPANY

A SAUDI JOINT STOCK COMPANY

THE CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED
31 DECEMBER 2017

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

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Independent Auditors' Report

To the Shareholders of
Almarai Company – Joint Stock Company
Riyadh, Kingdom of Saudi Arabia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Almarai - Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, 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 Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

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

Valuation of Inventories

Refer to note: 5(C) for the accounting policy on inventories and note: 11 for the inventories disclosure.

Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2017, the Group's inventories balance was SR 3,122 million (2016: SR 3,002 million) net of allowance for slow moving inventories of SR 459 million (2016: SR 388 million).</p> <p>Inventories are stated at the lower of cost and net realizable value and an allowance is made by the Group, where necessary, for slow moving inventories. The management determines the level of obsolescence of inventories considering the nature, ageing profile, its expiry and sales expectations using historic trends and other qualitative factors. Further, at each reporting date, management reviews the valuation of inventories and the costs of inventories are written down where inventories are forecasted to be sold at below cost.</p> <p>We consider this as a key audit matter due to the significant judgments and key assumptions applied by the management in determining the allowance for slow moving inventories and the level of inventories write down required based on Net Realisable Value (NRV) assessment.</p>	<p>We performed the following audit procedures in relation to valuation of inventories:</p> <ul style="list-style-type: none"> - Assessed the design and implementation, and tested the effectiveness of the Group's control around determination and monitoring of the allowance for slow moving inventories; - Evaluated the Group's policy for allowance for slow moving inventories by performing retrospective testing, comparing historical estimates with actual results; - Used our IT specialist to test the integrity of the inventories' ageing report used by management in its assessment of allowance for slow moving inventories; - Checked that the allowance for slow moving inventories is computed in accordance with the Group's policy based on the inventories' ageing report; - Inquired for any identified expired or slow-moving inventories during our attendance of physical counts on selected locations; and - Tested the net realisable values of finished goods inventories by considering actual sales post year-end and the assumptions used by the management to check whether inventories are valued at the lower of cost and net realisable value.

Goodwill impairment	
Refer to Note: 5 (G) for the accounting policy relating to goodwill and note: 8 for the goodwill disclosure.	
Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2017, the carrying value of goodwill amounted to SAR 935 million (2016: SAR 931 million).</p> <p>Goodwill is subject to an annual impairment test. For the purpose of the Group's impairment assessment of goodwill, management has used the value in use model, to determine the recoverable amount, under which the future cash flows relating to each Cash Generating Unit (CGU) were discounted and compared to their respective carrying amounts. Value in use model requires input of several key assumptions, including estimates of future sales volumes, prices, operating costs, terminal value, growth rates and discount rates.</p> <p>We considered goodwill impairment as a key audit matter due to the significant judgment and key assumptions involved in the impairment assessment process.</p>	<p>We performed the following audit procedures in relation to goodwill impairment:</p> <ul style="list-style-type: none"> - Assessed the design and implementation, and tested the effectiveness of the Group's controls around goodwill impairment, and evaluated key assumptions used; - Used our specialist to test the key assumptions used in the management's value in use calculation. Further, we assessed the reasonableness of key management assumptions in respect of estimated future cash flows, growth and discount rates and performed a sensitivity analysis on these key assumptions; - Compared key assumptions against industry benchmarks, applied our understanding of the future prospects of the business from internal and external sources, and compared forecasts to historical experience; - Checked the accuracy and completeness of the information produced by management, which was used for the basis of the impairment assessment; and - Considered the adequacy of the Group's goodwill disclosures in terms of applicable accounting standards.

Revenue recognition

Refer to Note: 5 (S) for the accounting policy relating to revenue recognition and note: 30 for the related disclosures.

Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2017, the Group recognized total revenue of SR 13,936 million (2016: SR 14,339 million).</p> <p>The Group's sales arrangements are generally straightforward, being on a point of sale basis with a right of return provided to the buyer in case of expiry of the product sold. Further, there continues to be pressure on the Group to meet expectations and targets, which may cause misstatement of revenue.</p> <p>Revenue recognition is considered a key audit matter as there is a risk that management may override controls to misstate revenue transactions, either through inappropriate assessment of the sales return or by recording fictitious revenue transactions.</p>	<p>We performed the following procedures in relation to revenue recognition:</p> <ul style="list-style-type: none"> - Assessed the appropriateness of the Group's revenue recognition accounting policies by considering the requirements of relevant accounting standards. Further, we also evaluated the method of estimating sales return provision, by performing retrospective testing of this management estimate; - Assessed the design and implementation, and tested the effectiveness of the Group's controls, including anti-fraud controls, over the recognition of revenue as per the Group's policy; - Evaluated key contractual arrangements including rebates and returns arrangements by considering relevant documentation and agreements with the customers; - Inspected sales transactions taking place at either side of the year-end to assess whether revenue was recognized in the correct period; - Developed an expectation of the current year revenue balance based on trend analysis information, taking into account sales volume, average prices and our understanding of each market. We then compared this expectation to actual revenue and, where relevant, completed further inquiries and testing; - Tested manual journals posted to revenue to identify unusual or irregular items; and - Tested calculation of sales return provision at year end to assess its compliance with Group's policy for sales return provision. Further, while assessing the sales return provision, we considered the volume of sales returns post year-end.

Change in financial reporting framework

Refer to Note: 2 for basis of preparation of consolidated financial statements relating to IFRS adoption and note: 36 for the related disclosure of effects of IFRS adoption.

Key audit matter	How the matter was addressed in our audit
<p>For all periods up to and including the year ended 31 December, 2016, the Group prepared and presented its statutory consolidated Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA.</p> <p>For the financial periods commencing 1 January, 2017, the applicable regulations require the Group to prepare and present its consolidated Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA (IFRS as endorsed in Kingdom of Saudi Arabia).</p> <p>Accordingly, the Group has prepared its Consolidated Financial Statements, for the year ended 31 December 2017, under IFRS as endorsed in Kingdom of Saudi Arabia using IFRS 1 - "First time Adoption of International Financial Reporting Standards" (IFRS 1).</p> <p>As part of this transition to IFRS as endorsed in Kingdom of Saudi Arabia, the Group's management performed a detailed gap analysis to identify differences between previous reporting framework and IFRS as endorsed in Kingdom of Saudi Arabia, determined the transition adjustments in light of this gap analysis and relevant requirements of IFRS 1, and assessed the additional disclosures required in the financial statements.</p> <p>We considered this as a key audit matter as the transitional adjustments due to the change in the financial reporting framework and transition related disclosures in the financial statements require additional attention during our audit.</p>	<p>We performed the following procedures in relation to change in financial reporting framework:</p> <ul style="list-style-type: none"> - Considered the Group's governance process around the adoption of IFRS as endorsed in Kingdom of Saudi Arabia, especially, in relation to matters requiring management to exercise its judgment; - Obtained an understanding of the analysis performed by management to identify all significant differences between previous reporting framework and IFRS as endorsed in Kingdom of Saudi Arabia which can impact the Group's financial statements; - Evaluated the results of management's analysis and key decisions taken in respect of the transition using our knowledge of the relevant requirements of the IFRS as endorsed in Kingdom of Saudi Arabia and our understanding of the Group's business and its operations; - Tested the transition adjustments by considering management's gap analysis, the underlying financial information and the computation of these adjustments; and - Evaluated the disclosures made in relation to the transition to IFRS as endorsed in Kingdom of Saudi Arabia by considering the relevant requirements of IFRS 1.

Other Information

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

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

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

When we read the annual report and 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, Company's By-laws and Companies regulations 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.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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, then we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the consolidated financial statements of Almarai - Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group"), taken as a whole, comply with the requirements of the Regulations for Companies and Company's By-laws with respect to the preparation and presentation of consolidated financial statements.

For KPMG Al Fozan & Partners
Certified Public Accountants



Abdullah Hamad Al Fozan
License No: 348



Date: 21 January 2018
Corresponding to: 04 Jumada'l 1439H

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000	01 January 2016 SAR '000
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	7	22,401,692	21,144,593	18,642,287
Intangible Assets and Goodwill	8	1,046,607	1,040,099	1,141,277
Biological Assets	9	1,283,342	1,271,425	1,186,506
Investments in Associates and Joint Ventures	10	129,429	96,612	94,177
Available for Sale Investments	10	90,711	102,872	104,237
Prepayments	12	74,558	132,867	72,426
Deferred Tax Assets	21	39,926	13,875	1,156
Derivative Financial Instruments	34	16,808	10,257	11,089
		<u>25,083,073</u>	<u>23,812,600</u>	<u>21,253,155</u>
Current Assets				
Inventories	11	3,121,903	3,002,331	2,688,641
Biological Assets	9	87,321	96,442	116,379
Trade Receivables, Prepayments and Other Receivables	12	1,702,375	1,548,684	1,346,391
Derivative Financial Instruments	34	9,480	4,680	3,438
Cash and Bank Balances	13	1,891,697	729,700	2,038,776
		<u>6,812,776</u>	<u>5,381,837</u>	<u>6,193,625</u>
TOTAL ASSETS		<u>31,895,849</u>	<u>29,194,437</u>	<u>27,446,780</u>
EQUITY				
Share Capital	14	10,000,000	8,000,000	6,000,000
Statutory Reserve		1,848,418	1,630,190	1,422,141
Treasury Shares	15	(453,156)	(378,994)	(330,699)
Other Reserves	16	(609,135)	(711,996)	(392,636)
Retained Earnings		1,998,246	2,818,019	3,626,687
Equity Attributable to Shareholders		<u>12,784,373</u>	<u>11,357,219</u>	<u>10,325,493</u>
Perpetual Sukuk	17	1,700,000	1,700,000	1,700,000
Equity Attributable to Equity Holders of the Company		<u>14,484,373</u>	<u>13,057,219</u>	<u>12,025,493</u>
Non-Controlling Interest	18	396,867	421,250	559,783
TOTAL EQUITY		<u>14,881,240</u>	<u>13,478,469</u>	<u>12,585,276</u>
Non-Current Liabilities				
Loans and Borrowings	19	10,543,125	10,128,343	9,334,727
Employee Benefits	20	621,536	573,979	527,200
Derivative Financial Instruments	34	30,779	41,212	63,427
Deferred Tax Liabilities	21	48,060	56,492	67,123
		<u>11,243,500</u>	<u>10,800,026</u>	<u>9,992,477</u>
Current Liabilities				
Bank Overdrafts	31	255,585	165,620	217,647
Loans and Borrowings	19	2,003,403	1,318,796	1,821,410
Zakat and Income Tax Payable	22	272,906	214,902	146,190
Trade and Other Payables	23	3,227,490	3,114,524	2,646,354
Derivative Financial Instruments	34	11,725	102,100	37,426
		<u>5,771,109</u>	<u>4,915,942</u>	<u>4,869,027</u>
TOTAL LIABILITIES		<u>17,014,609</u>	<u>15,715,968</u>	<u>14,861,504</u>
TOTAL EQUITY AND LIABILITIES		<u>31,895,849</u>	<u>29,194,437</u>	<u>27,446,780</u>

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 AH (21 January 2018) and signed on their behalf by:


Paul Gay
Chief Financial Officer


Georges P. Schorderet
Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

AL MARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000
Revenue	30	13,935,532	14,338,579
Cost of Sales	24	(8,351,893)	(8,816,092)
Gross Profit		5,583,639	5,522,487
Selling and Distribution Expenses	25	(2,391,879)	(2,480,361)
General and Administration Expenses	26	(397,339)	(432,949)
Other Expenses, net	27	(211,071)	(91,398)
Operating Profit		2,583,350	2,517,779
Exchange Gain, net		7,094	44,676
Finance Cost, net	28	(401,254)	(351,336)
Share of Results of Associates and Joint Ventures	10	13,018	13,323
Profit before Zakat and Income Tax		2,202,208	2,224,442
Zakat and Foreign Income Tax	22	(42,245)	(74,345)
Profit for the year		2,159,963	2,150,097
Profit / (Loss) for the year attributable to:			
Shareholders of the Company		2,182,286	2,147,786
Non-Controlling Interest		(22,323)	2,311
		2,159,963	2,150,097

Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company

- Basic	29	2.13	2.10
- Diluted	29	2.11	2.08

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 AH (21 January 2018) and signed on their behalf by:


Paul Gay
Chief Financial Officer


Georges P. Schorderet
Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000
Profit for the year		2,159,963	2,150,097
Items that will not be reclassified to profit or loss:			
Actuarial Gain / (Loss) on End of Service Benefit	20	10,151	(12,723)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign Currency Translation Differences		(21,391)	(514,707)
Movement in Fair Value on Cash Flow Hedges		128,475	(62,378)
Settlement of Cash Flow Hedges transferred to Profit or Loss		(16,318)	20,330
Movement in Fair Value of Available for Sale Investments	10	(12,161)	(1,365)
Share of Other Comprehensive Loss of Associates	10	(5,201)	(10,388)
Other Comprehensive Income / (Loss) for the year, net of Income Tax		83,555	(581,231)
Total Comprehensive Income for the year		<u>2,243,518</u>	<u>1,568,866</u>
Total Comprehensive Income / (Loss) for the year attributable to:			
Shareholders of the Company		2,256,849	1,794,263
Non-Controlling Interest		(13,331)	(25,397)
		<u>2,243,518</u>	<u>1,568,866</u>

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 AH (21 January 2018) and signed on their behalf by:


Paul Gay
Chief Financial Officer


Georges P. Schorderet
Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share Capital	Statutory Reserve	Treasury Shares	Other Reserves	Retained Earnings	Equity Attributable to Shareholders	Perpetual Sukuk	Equity Attributable to Equity Holders	Non-Controlling Interest	Total Equity
	SAR '000									
Balance at 01 January 2016	6,000,000	1,422,141	(330,699)	(392,636)	3,626,687	10,325,493	1,700,000	12,025,493	559,783	12,585,276
Profit for the year	-	-	-	-	2,147,786	2,147,786	-	2,147,786	2,311	2,150,097
Other Comprehensive Loss for the year	-	-	-	(340,800)	(12,723)	(353,523)	-	(353,523)	(227,708)	(581,231)
Total Comprehensive Income / (Loss)	-	-	-	(340,800)	2,135,063	1,794,263	-	1,794,263	(225,397)	1,568,866
Dividend Declared SAR 1.15 per Share	-	-	-	-	(690,000)	(690,000)	-	(690,000)	-	(690,000)
Bonus Shares Issued 1 for 3 shares	2,000,000	-	-	-	(2,000,000)	-	-	-	-	-
Transfer during the year	-	208,049	-	-	(208,049)	-	-	-	-	-
Share Based Payment Transactions	-	-	-	35,079	-	35,079	-	35,079	-	35,079
Settlement of Treasury Shares	-	-	27,119	(19,712)	19,712	27,119	-	27,119	-	27,119
Purchase of Treasury shares	-	-	(75,414)	-	-	(75,414)	-	(75,414)	-	(75,414)
Profit on Perpetual Sukuk SAR 38,467 per Sukuk	-	-	-	65,394	(65,394)	-	-	-	-	-
Payment of Profit on Perpetual Sukuk	-	-	-	(59,321)	-	(59,321)	-	(59,321)	-	(59,321)
Transactions with Non Controlling Interests	-	-	-	-	-	-	-	-	86,864	86,864
Balance at 31 December 2016	8,000,000	1,630,190	(378,994)	(711,996)	2,818,019	11,357,219	1,700,000	13,057,219	421,250	13,478,469
Balance at 01 January 2017	8,000,000	1,630,190	(378,994)	(711,996)	2,818,019	11,357,219	1,700,000	13,057,219	421,250	13,478,469
Profit / (Loss) for the year	-	-	-	-	2,182,286	2,182,286	-	2,182,286	(22,323)	2,159,963
Other Comprehensive Income for the year	-	-	-	64,412	10,751	74,563	-	74,563	8,992	83,555
Total Comprehensive Income / (Loss)	-	-	-	64,412	2,192,437	2,256,849	-	2,256,849	(13,331)	2,243,518
Dividend Declared SAR 0.90 per Share	-	-	-	-	(720,000)	(720,000)	-	(720,000)	-	(720,000)
Bonus Shares Issued 1 for 4 shares	2,000,000	-	-	-	(2,000,000)	-	-	-	-	-
Transfer during the year	-	218,228	-	-	(218,228)	-	-	-	-	-
Share Based Payment Transactions	-	-	-	39,394	-	39,394	-	39,394	-	39,394
Settlement of Treasury Shares	-	-	1,371	-	-	1,371	-	1,371	-	1,371
Purchase of Treasury shares	-	-	(75,533)	-	-	(75,533)	-	(75,533)	-	(75,533)
Profit on Perpetual Sukuk SAR 41,848 per Sukuk	-	-	-	71,142	(71,142)	-	-	-	-	-
Payment of Profit on Perpetual Sukuk	-	-	-	(72,087)	-	(72,087)	-	(72,087)	-	(72,087)
Directors Remuneration	-	-	-	-	(2,840)	(2,840)	-	(2,840)	-	(2,840)
Transactions with Non Controlling Interests	-	-	-	-	-	-	-	-	(11,052)	(11,052)
Balance at 31 December 2017	10,000,000	1,848,418	(453,156)	(609,135)	1,998,246	12,784,373	1,700,000	14,484,373	396,867	14,881,240

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. . These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 A.H (21 January 2018) and signed on their behalf by:


Paul Gay
Chief Financial Officer


Georges P. Schorderet
Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	31 December 2017 SAR '000	31 December 2016 SAR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		2,159,963	2,150,097
Adjustments for:			
Depreciation of Property, Plant and Equipment	7	1,573,671	1,442,341
Amortisation of Intangible Assets	8	50,017	32,479
Depreciation of Biological Assets	9	295,927	342,041
(Gain) / Loss Arising from Changes in Fair Value less Cost to Sell of	9	(977)	15,248
Crops			
Provision for Employee Benefits	20	128,262	115,358
Share Based Payment Expense		39,394	35,079
Exchange Gain, net		(7,094)	(44,676)
Finance Cost, net	28	401,254	351,336
Other Expenses, net	27	212,181	91,398
Share of Results of Associates and Joint Ventures	10	(13,018)	(13,323)
Zakat and Foreign Income Tax	22	42,245	74,345
		<u>4,881,825</u>	<u>4,591,723</u>
Changes in:			
Inventories		1,083,062	844,604
Biological Assets		(1,197,326)	(1,231,787)
Trade Receivables, Prepayments and Other Receivables		(106,170)	(164,572)
Trade and Other Payables		35,566	524,039
Cash Used in Operating Activities		<u>(184,868)</u>	<u>(27,716)</u>
Employee Benefits Paid	20	(70,888)	(81,302)
Zakat and Foreign Income Tax Paid	22	(11,922)	(10,161)
Net Cash Generated from Operating Activities		<u>4,614,147</u>	<u>4,472,544</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Associates	10	(25,000)	-
Dividend received from Associates	10	-	500
Dividend on Available For Sale Investment	27	1,110	-
Additions to Property, Plant and Equipment	7	(2,797,282)	(4,514,597)
Proceeds from the Disposal of Property, Plant and Equipment		30,790	133,971
Additions to Intangible Assets	8	(52,927)	(18,153)
Additions to Biological Assets	9	(81,536)	(93,131)
Appreciation of Biological Assets		(582,895)	(618,673)
Proceeds from the Disposal of Biological Assets		197,274	200,486
Prepayments		-	(71,794)
Net Cash Used in Investing Activities		<u>(3,310,466)</u>	<u>(4,981,391)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in Loans, net		1,105,031	351,847
Finance Cost Paid		(467,977)	(360,596)
Dividend Paid		(717,905)	(687,721)
Purchase of Treasury Shares	15	(75,533)	(75,414)
Settlement of Treasury Shares		1,371	27,119
Transactions with Non Controlling Interests		(11,052)	86,864
Payment of Profit on Perpetual Sukuk		(72,087)	(59,321)
Director's Remuneration		(2,840)	-
Net Cash Used in Financing Activities		<u>(240,992)</u>	<u>(717,222)</u>
Increase / (Decrease) in Cash and Cash Equivalents		<u>1,062,689</u>	<u>(1,226,069)</u>
Cash and Cash Equivalents at 01 January		564,080	1,821,129
Effect of Movements in Exchange Rates on Cash and Cash Equivalents		9,343	(30,980)
Cash and Cash Equivalents at 31 December	31	<u>1,636,112</u>	<u>564,080</u>

The accompanying notes 1 to 40 form an integral part of these Consolidated Financial Statements. . These Financial Statements were authorised for issue by Board of Directors, on behalf of Shareholders, on 04 Jumada-Al-Awwal 1439 AH (21 January 2018) and signed on their behalf by:


Paul Gay
Chief Financial Officer


Georges P. Schorderet
Chief Executive Officer


HH Prince Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION

Almarai Company (the "Company") is a Saudi Joint Stock Company, which was converted from a limited liability company to a joint stock company on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Dul Hijjah 1411 A.H. (1 July 1991) and operates under Commercial Registration No. 1010084223. Prior to the consolidation of activities in 1991, the core business was trading between 1977 and 1991 under the Almarai brand name.

The Company's Head Office is located at Exit 7, North Ring Road, Al Izdihar District, P.O. Box 8524, Riyadh 11492, Kingdom of Saudi Arabia ("Saudi Arabia").

The Company and its subsidiaries (together, the "Group") are a major integrated consumer food and beverage Group in the Middle East with leading market shares in Saudi Arabia. It also operates in other Gulf Cooperation Council ("GCC") countries, Egypt and Jordan.

Dairy, Fruit Juices and related Food Business is operated under the "Almarai", "Beyti" and "Teeba" brand names. All raw milk production, Dairy and Fruit Juice product processing and related food product manufacturing activities are undertaken in Saudi Arabia, United Arab Emirates ("UAE"), Egypt and Jordan.

Dairy, Fruit Juices and related Food Business in Egypt and Jordan operates through International Dairy and Juice Limited ("IDJ"), a joint venture with PepsiCo, in which the Company holds controlling interest. The Group manages IDJ operations through following key subsidiaries:

Jordan	- Teeba Investment for Developed Food Processing
Egypt	- International Company for Agricultural Industries Projects (Beyti) (SAE)

Bakery products are manufactured and traded by Western Bakeries Company Limited and Modern Food Industries Company Limited, a joint venture with Chipita in which the Company holds controlling interest, under the brand names "L'usine" and "7 Days" respectively.

Poultry products are manufactured and traded by Hail Agricultural Development Company under the "Alyoum" brand name.

Infant Nutrition products are manufactured by Almarai Baby Food Company Limited and traded by International Pediatric Nutrition Company under "Nuralac" and "Evolac" brands.

In territories where the Group has operations, final consumer packed products are distributed from manufacturing facilities to local distribution centres by the Group's long haul distribution fleet. The distribution centres in Gulf Cooperation Council (GCC) countries are managed through subsidiaries (UAE, Oman and Bahrain) and Agency Agreements (Kuwait and Qatar) as follows:

UAE	- Almarai Emirates Company L.L.C
Oman	- Arabian Planets for Trading and Marketing L.L.C.
Bahrain	- Almarai Company Bahrain S.P.C
Kuwait	- Al Kharafi Brothers Dairy Products Company Limited
Qatar	- Khalid for Foodstuff and Trading Company

In other territories, where permissible by law, Dairy and Juice products are exported through IDJ, other products are exported through other subsidiaries. Since 6 June 2017, the Group has suspended its operations in Qatar.

The Group owns and operates arable farms in Argentina and in United States of America, collectively referred to as "Fondomonte", through following key subsidiaries:

USA	- Fondomonte Holdings North America L.L.C
Argentina	- Fondomonte South America S.A

The Group's non GCC business operations under IDJ and Fondomonte are managed through Almarai Investment Holding Company W.L.L., a Company incorporated in the Kingdom of Bahrain.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest				Share Capital	Number of Shares Issued	Conventional Investment SAR '000	Conventional Borrowing SAR '000	Interest Income SAR '000
				2017		2016						
				Direct (a)	Effective	Direct (a)	Effective					
Almarai Investment Company Limited	Saudi Arabia	Holding Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing Company	SAR	100%	100%	100%	100%	SAR 200,000,000	20,000,000	-	198,460	-
Almarai Agricultural And Livestock Production Company	Saudi Arabia	Livestock / Agricultural Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
Almarai Construction Company	Saudi Arabia	Construction Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
Almarai for Maintenance and Operation Company	Saudi Arabia	Maintenance and Operation	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Agricultural Company	SAR	52%	52%	52%	52%	SAR 25,000,000	250	-	-	-
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	SAR	100%	100%	100%	100%	SAR 300,000,000	30,000,000	-	946,274	-
Hail Agricultural And Livestock Production Company	Saudi Arabia	Poultry / Agricultural Company	SAR	100%	100%	100%	100%	SAR 1,000,000	1,000	-	-	-
International Baking Services Company Limited	Saudi Arabia	Dormant	SAR	100%	100%	100%	100%	SAR 500,000	500	-	-	-
International Pediatric Nutrition Company	Saudi Arabia	Dormant	SAR	100%	100%	100%	100%	SAR 41,000,000	410,000	-	-	-
Modern Food Industries Company Limited	Saudi Arabia	Bakery Company	SAR	60%	60%	60%	60%	SAR 70,000,000	70,000	-	35,751	-
Nourlac Company Limited	Saudi Arabia	Trading Company	SAR	100%	100%	100%	100%	SAR 3,000,000	3,000	-	-	-
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	SAR	100%	100%	100%	100%	SAR 200,000,000	200,000	-	215,511	-

(a) Direct ownership means directly owned by the Company or any of its subsidiaries.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest				Share Capital	Number of Shares Issued	Conventional Investment SAR '000	Conventional Borrowing SAR '000	Interest Income SAR '000
				2017		2016						
				Direct (a)	Effective	Direct (a)	Effective					
Agro Terra S.A.	Argentina	Dormant	ARS	100%	100%	100%	100%	ARS 475,875	475,875	-	-	-
Fondomonte South America S.A.	Argentina	Agricultural Company	ARS	100%	100%	100%	100%	ARS 1,286,096,598	1,286,096,598	-	78,157	-
Almarai Company Bahrain S.P.C.	Bahrain	Trading Company	BHD	100%	100%	100%	100%	BHD 100,000	2,000	-	-	-
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company	BHD	99%	99%	99%	99%	BHD 250,000	2,500	-	-	-
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company	BHD	100%	52%	100%	52%	BHD 250,000	2,500	-	-	-
International Dairy and Juice Limited	British Virgin Islands	Holding Company	USD	52%	52%	52%	52%	USD 7,583,334	7,583,334	-	56,253	-
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company	EGP	100%	52%	100%	52%	EGP 1,101,750,000	110,175,000	-	-	-
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company	EGP	100%	52%	100%	52%	EGP 1,717,250,000	171,725,000	-	378,577	-
Markley Holdings Limited	Jersey	Dormant	GBP	100%	100%	100%	100%	-	-	-	-	-
Al Muthedoon for Dairy Production	Jordan	Dormant	JOD	100%	52%	100%	52%	JOD 500,000	500,000	-	-	-
Al Atheer Agricultural Company	Jordan	Livestock / Agricultural Company	JOD	100%	52%	100%	52%	JOD 750,000	750,000	-	-	-
Al Namouthjya for Plastic Production	Jordan	Dormant	JOD	100%	52%	100%	52%	JOD 250,000	250,000	-	-	-
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company	JOD	100%	52%	100%	52%	JOD 500,000	500,000	-	-	-

(a) Direct ownership means directly owned by the Company or any of its subsidiaries.

ALMARAI COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Name of Subsidiary	Country of Incorporation	Business Activity	Functional Currency	Ownership Interest				Share Capital	Number of Shares Issued	Conventional Investment SAR '000	Conventional Borrowing SAR '000	Interest Income SAR '000
				2017		2016						
				Direct (a)	Effective	Direct (a)	Effective					
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company	JOD	100%	52%	100%	52%	JOD 49,675,352	49,675,352	-	92,179	-
Arabian Planets for Trading and Marketing L.L.C.	Oman	Trading Company	OMR	90%	90%	90%	90%	OMR 150,000	150,000	-	150,134	-
Alyoum for Food Products Company L.L.C.	Oman	Dormant	OMR	100%	100%	100%	100%	OMR 20,000	20,000	-	-	-
Fondomonte Inversiones S.L.	Spain	Holding Company	EUR	100%	100%	100%	100%	EUR 118,515,547	118,515,547	-	-	-
Hail Development Company Limited	Sudan	Agricultural Company	SDG	100%	100%	100%	100%	SDG 100,000	100	-	-	-
Almarai Emirates Company L.L.C.	United Arab Emirates	Trading Company	AED	100%	100%	100%	100%	AED 300,000 (Unpaid)	300	-	-	-
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Holding Company	USD	100%	52%	100%	52%	USD 22,042,183	22,042,183	-	-	-
Fondomonte Holding North America L.L.C.	United States of America	Holding Company	USD	100%	100%	100%	100%	USD 500,000	50,000	-	112,698	-
Fondomonte Arizona L.L.C.	United States of America	Agricultural Company	USD	100%	100%	100%	100%	USD 500,000	50,000	-	-	-
Fondomonte California L.L.C.	United States of America	Agricultural Company	USD	100%	100%	100%	100%	-	-	-	-	-
Hayday Farm Operation L.L.C.	United States of America	Agricultural Company	USD	100%	100%	Nil	Nil	-	-	-	-	-

(a) Direct ownership means directly owned by the Company or any of its subsidiaries.

ALMARAI COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (here and after refer to as "IFRS as endorsed in KSA"). Up to and including the year ended December 31, 2016, the Group prepared and presented its statutory Consolidated Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA 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 the Financial Statements. In these Consolidated Financial Statements, the term "SOCPA Standards" refers to SOCPA Standards before the adoption of International Financial Reporting Standards ("IFRS").

For financial periods commencing January 1, 2017, the applicable regulations require the Group to prepare and present Financial Statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA. As part of this requirement, the Group has prepared these Consolidated Financial Statements.

As required by the Capital Market Authority ("CMA") through its circular dated 16th October 2016 the Group needs to apply the cost model to measure the property, plant and equipment, investment property and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

These Consolidated Financial Statements are prepared in accordance with IFRS 1 First time Adoption of International Financial Reporting Standards. The Group has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

An explanation of how the transition to IFRS has affected the previously reported equity as at December 31, 2016 and January 01, 2016; and comprehensive income of the Group for the year ended December 31, 2016, including the nature and effect of significant changes in accounting policies from those used in the Group's Financial Statements for the year ended December 31, 2016 is provided in Note 36.

These Consolidated Financial Statements should be read in conjunction with the Group's annual Consolidated SOCPA Financial Statements for the year ended December 31, 2016, and the Group's Condensed Consolidated Interim Financial Statements for the quarters ended March 31, 2017, June 30, 2017 and September 30, 2017 prepared in accordance with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA.

2.2 Preparation of The Financial Statements

These Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the Consolidated Statement of Financial Position:

- Derivative financial instruments are measured at fair value.
- Available-for-sale investment is measured at fair value.
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Biological Assets, for which market is available, have been valued at fair value.

3. BASIS OF CONSOLIDATION

- 3.1** These Consolidated Financial Statements comprising the Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). The Company

ALMARAI COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

BASIS OF CONSOLIDATION (Continued...)

and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. The excess of the cost of acquisition and fair value of Non – Controlling Interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in Consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. The portion of profit or loss and net assets not controlled by the Group is presented separately in the Consolidated Statement of Profit or Loss and within equity in the Consolidated Statement of Financial Position. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. FUNCTIONAL AND PRESENTATION CURRENCY

These Consolidated Financial Statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. SIGNIFICANT ACCOUNTING POLICIES

A. New Standards, Amendments and Standards issued and not yet effective:

New Standards, Amendment to Standards and Interpretations:

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

a. Disclosure Initiative (Amendments to IAS 7)

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

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

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

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

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

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

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

Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

ALMARAI COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

SIGNIFICANT ACCOUNTING POLICIES (Continued...)

a. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018. As of this yearend, the Group is in the process of completing its evaluation of impact of IFRS 15 on its revenue recognition policy. As per its initial assessment, there is not going to be a significant impact on Group's revenue recognition policy.

b. IFRS 9 Financial Instruments

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

Classification – Financial assets

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

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

IFRS 9 requires that derivatives embedded in the contracts should not be separated from the host contract which is a financial asset instead the hybrid financial instrument as a whole is assessed for classification.

Impairment – Financial Assets and Contract Assets

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

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

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

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

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

Classification – Financial Liabilities

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

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

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Hedge accounting

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

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

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

Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. As of this yearend, the Group is in the process of completing its evaluation of impact of expected credit loss model on impairment of its financial assets. As per its initial assessment, the impact of this change is expected to be in the range of SAR 10.0 million to SAR 15.0 million.

Further Group's Investment that are currently classified as Available for Sale will satisfy the conditions for classification as fair value through other comprehensive income (FVOCI) and hence they will be no change in the accounting of this assets.

Transition

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

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

c. IFRS 16 Leases

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

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

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

ALMARAI COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Determining whether an arrangement contains a lease

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

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

Transition

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

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

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

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

d. Annual Improvements to IFRSs 2014–2016 Cycle

- IFRS 1 First-time Adoption of IFRS - Outdated exemptions for first-time adopters of IFRS are removed. Effective for annual periods beginning on or after 01 January 2018.
- IAS 28 Investments in Associates and Joint Ventures - A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Effective retrospectively for annual periods beginning on or after 01 January 2018, early application is permitted.

e. Other Amendments

The following new or amended standards are not yet effective and neither expected to have a significant impact on the Group's Consolidated Financial Statements.

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

B. Cash and Cash Equivalents

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes bank balances and deposits with original maturities of three months or less, if any. It also includes bank overdrafts which form an integral part of the Group's cash management and are likely to fluctuate from overdrawn to positive balances.

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SIGNIFICANT ACCOUNTING POLICIES (Continued...)

C. Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

Agriculture produce harvested from biological assets are measured at fair value less cost to sell at the point of harvest.

D. Investments in Associates and Joint Ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that an associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's or joint venture's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in Consolidated Statement of Profit or Loss in the period in which the investment is acquired.

When a group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognised in the Group's Consolidated Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

E. Property, Plant and Equipment

Property, Plant and Equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Bearer plants are measured at cost less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditures that are directly attributable to the acquisition / growing of the plant till its maturity. Any gain or loss on disposal of an item of Property, Plant and Equipment is recognised in Consolidated Statement of Profit or Loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

Finance costs on borrowings to finance the construction of the qualifying assets are capitalised during the period of time that is required to substantially complete and prepare the qualifying asset for its intended use.

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SIGNIFICANT ACCOUNTING POLICIES (Continued...)

The cost less estimated residual value is depreciated on straight-line basis over the following estimated useful lives of the assets:

Buildings	5 – 33 years
Plant, Machinery and Equipment	1 – 20 years
Motor Vehicles	6 – 10 years
Bearer Plants	2 – 70 years
Land, Capital Work in Progress and Immature plants are not depreciated.	

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

If significant parts of an item of property, plant and equipment have different useful lives then they are accounted for as separate items of property, plant and equipment.

F. Biological Assets

Biological assets are measured at fair value less cost to sell except when fair value cannot be measured reliably.

Where fair value cannot be measured reliably biological assets are stated at cost of purchase or cost of rearing or growing to the point of commercial production (termed as biological assets appreciation), less accumulated depreciation and accumulated impairment loss, if any. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age. Immature biological assets are not depreciated. Biological assets are depreciated on a straight line basis to their estimated residual values over periods as summarised below:

Dairy Herd	4 Lactation cycles
Poultry Flock – After Maturity	36 weeks

G. Intangible Assets and Goodwill

Intangible Assets

Intangible assets other than goodwill are measured at cost, less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives of 4 years.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in Consolidated Statement of Profit or Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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SIGNIFICANT ACCOUNTING POLICIES (Continued...)

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

H. Provisions

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

I. Zakat and Foreign Income Tax

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

J. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

K. Financial Instruments

(a) Non-Derivative Financial Instruments

i) Non-Derivative Financial Assets

The Group initially recognises financial assets on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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SIGNIFICANT ACCOUNTING POLICIES (Continued...)

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.

The Group has the following non-derivative financial assets;

Loans and Receivables

Loans and receivables of the Group comprise trade and other receivables and loan to associates.

These are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and other receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Available for Sale Financial Assets

Investments classified as available-for-sale are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in Consolidated Statement of Other Comprehensive Income and accumulated in the fair value reserve shown under other reserves within equity. When these assets are derecognised, the gain or loss accumulated in reserve is reclassified to Consolidated Statement of Profit or Loss.

ii) Non-Derivative 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. 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.

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 bank borrowings and trade and other payables.

(b) Derivative Financial Instruments and Hedge Accounting

Derivatives are measured at fair value; any related transaction costs are recognised in Consolidated Statement of Profit or Loss as incurred. Subsequent to initial recognition, any change in fair value is generally recognised in Consolidated Statement of Profit or Loss.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Consolidated Statement of Other Comprehensive Income and accumulated in the hedging reserve shown within other reserves under equity.

The amount accumulated in equity is reclassified to Consolidated Statement of Profit or Loss in the period during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to Consolidated Statement of Profit or Loss.

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SIGNIFICANT ACCOUNTING POLICIES (Continued...)

L. Impairment

(a) Non-Derivative Financial Assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

i) Loans and Receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by companying together with similar risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in Consolidated Statement of Profit or Loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

ii) Available for Sale Financial Assets

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to Consolidated Statement of Profit or Loss. The amount reclassified is the difference between the acquisition cost (net of any principle repayment and amortisation and the current fair value), less any impairment loss previously recognised in Consolidated Statement of Profit or Loss. If the fair value of the impaired available for sale financial asset subsequently increases and increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss, otherwise it is reversed through other comprehensive income.

iii) Investments in Associates and Joint Ventures

An impairment loss in respect of investment in associates and joint ventures is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in Consolidated Statement of Profit or Loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(b) Impairment of Non-Financial Assets

Non-financial assets (other than biological assets measured at fair value, inventories and deferred tax assets) are reviewed at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any).

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SIGNIFICANT ACCOUNTING POLICIES (Continued...)

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

M. Employee Benefits

Employee benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable on the Company and its subsidiaries, on termination of their employment contracts.

The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

Group sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in Consolidated Statement of Other Comprehensive Income. The Group determines interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit are recognised in Consolidated Statement of Profit or Loss.

N. Statutory Reserve

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its Net Income for the year. As per its by-laws the Company will cease the contribution when such reserve will reach 30% of its Share Capital.

O. Sukuk

The Group classifies Sukuk issued as financial liabilities or equity, in accordance with the substance of the contractual terms of the Sukuk. Sukuk having fixed maturity dates and fixed dates for payment of profit distribution are classified as a liability.

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SIGNIFICANT ACCOUNTING POLICIES (Continued...)

Sukuk having no fixed maturity date (Perpetual Sukuk) and no fixed date for payment of profit distribution are classified as equity. Distributions thereon are recognised in equity.

P. Treasury Shares

Own equity instruments that are reacquired (treasury shares), for discharging obligations under the Employee Stock Option Programme ("ESOP"), are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as share premium.

Q. Share Based Payment Transactions

Employees of the Group receive remuneration in the form of equity settled share based payments under the ESOP, whereby employees render services as consideration for the option to purchase fixed number of Company's shares ("Option") at a predetermined price.

The cost of ESOP is recognised as an expense in the Consolidated Statement of Profit or Loss, together with a corresponding increase in other reserves, in equity, over the period during which the service conditions are fulfilled.

Group has set up an economic hedge by purchasing Treasury Shares at inception of ESOP. Accordingly, the Other Reserves (representing the cumulative expense arising from ESOP) is transferred into Retained Earnings upon expiry of the ESOP, whether or not the Options vest to the employees.

The cumulative expense recognised for ESOP at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of Options that will ultimately vest.

When the terms of ESOP are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share based payment transaction, or is otherwise beneficial to the employee as measured at the date of the modification.

When ESOP is terminated, it is treated as if the Options vested on the date of termination, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new ESOP is substituted for the terminated ESOP, and designated as a replacement award on the date that it is granted, the terminated and new ESOPs are treated as if they were a modification of the original ESOP, as described in the previous paragraph.

R. Conversion of Foreign Currency Transactions

Foreign currency transactions are converted and booked in Saudi Riyals at standard exchange rates which are periodically set to reflect average market rates or forward rates if the transactions were so covered. At the reporting date, assets and liabilities denominated in foreign currencies are converted into Saudi Riyals at the exchange rates ruling on such date or at the forward purchase rates if so covered. Any resulting exchange variances are charged or credited to the Consolidated Statement of Profit or Loss as appropriate.

The functional currencies of foreign subsidiaries are listed in Note 1. As at the reporting date, the assets and liabilities of these subsidiaries are translated into Saudi Riyal (SAR) the functional and presentation currency of the Company, at the rate of exchange ruling at the Consolidated Statement of Financial Position date and their Consolidated Statement of Profit or Loss are translated at the weighted average exchange rates for the period. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments in respect of these components of equity are recorded as a separate component of equity.

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SIGNIFICANT ACCOUNTING POLICIES (Continued...)

S. Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates. Products are sold principally on a sale or return basis.

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue is measured net of returns, trade discounts and volume rebates.

Allowances for sales returns are calculated based on the forecasted return of expired products.

T. Government Grants

Government Grants are initially recognized within other liabilities at fair value when there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant.

Government Grants are recognized in Consolidated Statement of Profit or Loss on a systematic basis over the periods in which the Group recognizes as expenses the related inventories which the grants are intended to compensate.

U. Selling, Distribution, General and Administration Expenses

Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis. The Group charges the payments, other than those related to volume based rebates, made in respect of long term agreements with customers and distributors to Selling and Distribution Expenses.

V. Leases

Assets held under leases that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's Consolidated Statement of Financial Position. Rentals in respect of operating leases are charged to the Consolidated Statement of Profit or Loss over the term of the leases.

W. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Further no borrowing cost is capitalised during the idle period.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in Consolidated Statement of Other Comprehensive Income and released to Consolidated Statement of Profit or Loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in Consolidated Statement of Profit or Loss in the period in which they are incurred.

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SIGNIFICANT ACCOUNTING POLICIES (Continued...)

X. Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Makers which in Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Operating Decision Maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

6. USE OF JUDGEMENTS AND ESTIMATES

The preparation of Financial Statements, in conformity with IFRS as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the Consolidated Statement of Financial Position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

6.1 Judgements

Information about judgement made in applying accounting policies that have the most significant effects on the amounts recognised in the Consolidated Financial Statements is included in the following note,

- Refer to Note 9: Biological Assets not fair valued - the Group has assessed that quoted market prices are not available for the biological assets owned by the Group, except for crops and alternative fair value measurements are clearly unreliable.

6.2 Assumptions and estimation uncertainties

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustments to the carrying amount of assets and liabilities within the year ending 31 December 2018 is included in following notes;

- Refer to Note 8: Goodwill - Annual impairment testing of goodwill.
- Refer to Note 12: Trade Receivables - Allowance for impairment of trade receivables.
- Refer to Note 20: Measurement of employee benefits obligations - key actuarial assumptions.
- Refer to Note 21: Deferred taxation - whether future taxable profits will be available against which deferred tax asset can be realised.
- Refer to Note 11: Inventories - Allowance for slow moving inventories

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7. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant, Machinery and Equipment	Motor Vehicles	Capital Work-in- Progress	Mature Plantations	Immature Plantations	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost							
At 01 January 2017	10,131,683	11,297,763	2,547,348	5,167,775	101,072	67,690	29,313,331
Additions during the year	-	-	-	2,855,388	1,370	68,658	2,925,416
Transfers during the year	1,884,556	1,738,248	145,378	(3,768,182)	84,780	(84,780)	-
Disposals during the year	(37,175)	(162,938)	(89,688)	-	(10,257)	-	(300,058)
Reclassification	27,645	(25,081)	(2,564)	-	-	-	-
Currency Translation Difference	(14,935)	(16,859)	(340)	7,334	(1,035)	(5)	(25,840)
At 31 December 2017	11,991,774	12,831,133	2,600,134	4,262,315	175,930	51,563	31,912,849
Accumulated Depreciation and Impairment							
At 01 January 2017	1,669,108	5,270,102	1,176,362	-	53,166	-	8,168,738
Depreciation for the year	329,002	917,429	255,704	-	71,536	-	1,573,671
Disposals during the year	(21,859)	(150,356)	(72,353)	-	(10,257)	-	(254,825)
Reclassification	619	(167)	(452)	-	-	-	-
Impairment of Assets (Ref 7.2)	28,158	9,053	-	-	-	-	37,211
Currency Translation Difference	(6,594)	(5,476)	(1,188)	-	(380)	-	(13,638)
At 31 December 2017	1,998,434	6,040,585	1,358,073	-	114,065	-	9,511,157
Net Book Value							
At 31 December 2017	9,993,340	6,790,548	1,242,061	4,262,315	61,865	51,563	22,401,692

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PROPERTY, PLANT AND EQUIPMENT (Continued...)

	Land and Buildings	Plant, Machinery and Equipment	Motor Vehicles	Capital Work-in- Progress	Mature Plantations	Immature Plantations	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost							
At 01 January 2016	9,266,711	10,299,320	2,401,456	3,924,912	49,464	37,368	25,979,231
Additions during the year	-	-	-	4,486,600	-	81,930	4,568,530
Transfers during the year	1,126,955	1,665,832	345,933	(3,138,720)	51,608	(51,608)	-
Disposals during the year	(142,449)	(139,959)	(152,699)	-	-	-	(435,107)
Impairment of Assets (Ref 7.3)	-	(301,686)	-	-	-	-	(301,686)
Currency Translation Difference	(119,534)	(225,744)	(47,342)	(105,017)	-	-	(497,637)
At 31 December 2016	10,131,683	11,297,763	2,547,348	5,167,775	101,072	67,690	29,313,331
Accumulated Depreciation							
At 01 January 2016	1,436,371	4,828,200	1,063,956	-	8,417	-	7,336,944
Depreciation for the year	276,514	868,107	252,971	-	44,749	-	1,442,341
Disposals during the year	(32,150)	(126,226)	(126,862)	-	-	-	(285,238)
Impairment of Assets (Ref 7.3)	-	(196,889)	-	-	-	-	(196,889)
Currency Translation Difference	(11,627)	(103,090)	(13,703)	-	-	-	(128,420)
At 31 December 2016	1,669,108	5,270,102	1,176,362	-	53,166	-	8,168,738
Net Book Value							
At 31 December 2016	8,462,575	6,027,661	1,370,986	5,167,775	47,906	67,690	21,144,593
At 01 January 2016	7,830,340	5,471,120	1,337,500	3,924,912	41,047	37,368	18,642,287

7.1 Capital Work-in-Progress includes SAR 73.8 million of borrowing costs capitalised during the year. (31 December 2016: SAR 53.9 million; 1 January 2016: SAR 35.9 million)

7.2 During the year, based on change in Group's operational plan for Teeba and regional situation in GCC, assets with the net book value of SAR 30.6 million and SAR 6.6 million in Teeba and Qatar respectively are assessed as impaired. (Refer note 27)

7.3 Subsequent to fire incident at Jeddah, the Group has identified additional assets that are impaired. Total net book value of these assets is SAR 104.8 million. (Refer note 27)

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	31 December 2017	31 December 2016	01 January 2016
	SR '000	SR '000	SR '000
8. INTANGIBLE ASSETS AND GOODWILL			
Software Licenses (Refer 8.1)	111,719	109,374	132,200
Goodwill (Refer 8.2)	934,888	930,725	1,009,077
	<u>1,046,607</u>	<u>1,040,099</u>	<u>1,141,277</u>

8.1 Software Licenses

	Software Licenses	Software Licenses in Progress*	Total
	SAR '000	SAR '000	SAR '000
Cost			
At 01 January 2017	170,020	34,753	204,773
Additions during the year	-	52,927	52,927
Transfers during the year	58,400	(58,400)	-
Disposals during the year	(30,930)	-	(30,930)
Currency Translation Difference	301	(570)	(269)
At 31 December 2017	197,791	28,710	226,501
Accumulated Amortisation			
At 01 January 2017	95,399	-	95,399
Amortisation for the year	50,017	-	50,017
Disposals during the year	(30,930)	-	(30,930)
Currency Translation Difference	296	-	296
At 31 December 2017	114,782	-	114,782
Net Book Value			
At 31 December 2017	83,009	28,710	111,719

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INTANGIBLE ASSETS AND GOODWILL (Continued...)

	Software Licenses	Software Licenses in Progress*	Total
	SAR '000	SAR '000	SAR '000
Cost			
At 01 January 2016	117,116	81,864	198,980
Additions during the year	-	18,153	18,153
Transfers during the year	65,264	(65,264)	-
Disposals during the year	(8,106)	-	(8,106)
Currency Translation Difference	(4,254)	-	(4,254)
At 31 December 2016	170,020	34,753	204,773
Accumulated Amortisation			
At 01 January 2016	66,780	-	66,780
Amortisation for the year	32,479	-	32,479
Disposals during the year	(4,230)	-	(4,230)
Currency Translation Difference	370	-	370
At 31 December 2016	95,399	-	95,399
Net Book Value			
At 31 December 2016	74,621	34,753	109,374
At 01 January 2016	50,336	81,864	132,200

*Software licenses in progress include certain softwares under installation.

8.2 Goodwill

The goodwill relates to the acquisition of WB in 2007, HADCO in 2009 and IDJ in 2012.

	31 December 2017	31 December 2016	01 January 2016
	SR '000	SR '000	SR '000
Western Bakeries Company Limited (WB)	548,636	548,636	548,636
Hail Agricultural Development Company (HADCO)	244,832	244,832	244,832
International Dairy and Juice Limited (IDJ)	141,420	137,257	215,609
	934,888	930,725	1,009,077

Western Bakeries Company Limited forms part of the Bakery Products reporting segment, HADCO represents part of both the Arable and Horticulture reporting segment and the Poultry reporting segment while IDJ falls under the Dairy and Juice reporting segment.

Goodwill is subject to annual impairment testing. Assets are tested for impairment by comparing the carrying amount of each cash-generating unit (CGU) to the recoverable amount which has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five-year period. The discount rate applied to cash flow projections varies between 7.0% and 22.0% as relevant for each CGU and the residual value at the end of the forecast period has been calculated by applying an earnings multiple to the Net Income for the final year in the forecast period.

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INTANGIBLE ASSETS AND GOODWILL (Continued...)

Key Assumptions Used in Value in Use Calculations

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

The calculation of value in use is most sensitive to the assumptions on sales growth rate and cost of sales used to extrapolate cash flows beyond the budget period of 5 years, as well as the factors used in computing Terminal Value. Terminal value is calculated using earnings multiple / Gordon Growth Model for the final year of the forecast period.

Sensitivity to Changes in Assumptions – Western Bakeries Company Limited

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 9.1%. If all other assumptions kept the same; a reduction of this growth rate to 167.0% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The Cost of Sales in the forecast period has been estimated at an average of 38.4% of sales. If all other assumptions kept the same; an increase in the rate to an average of 163.6% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 14.6. If all other assumptions kept the same; a reduction of this multiple to 1.9 would give a value in use equal to the current carrying amount.

Sensitivity to Changes in Assumptions – HADCO

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 15.9%. If all other assumptions kept the same; a reduction of this growth rate to 1.6% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The cost of sales in the forecast period has been estimated at an average of 32.1% of sales. If all other assumptions kept the same; an increase in the rate to an average of 115.7% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 12.4. If all other assumptions kept the same; a reduction of this multiple to 5.9 would give a value in use equal to the current carrying amount.

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INTANGIBLE ASSETS AND GOODWILL (Continued...)

Sensitivity to Changes in Assumptions – IDJ

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the unit including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 8.2%. If all other assumptions kept the same, a reduction of this growth rate to 1.5% would give a value in use equal to the current carrying amount.

(b) Cost of Sales

The cost of sales in the forecast period has been estimated at an average of 58.1% of sales. If all other assumptions kept the same, an increase in the rate to an average of 97.4% would give a value in use equal to the current carrying amount.

(c) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 11.0. If all other assumptions kept the same, a reduction of this multiple to 2.7 would give a value in use equal to the current carrying amount.

9. BIOLOGICAL ASSETS

The Group's biological assets consist of dairy herd, poultry birds and plantations.

Biological assets owned by the Group are measured as follows:

- Dairy Herd and Poultry Flock: At cost less accumulated depreciation and impairment losses, if any, since quoted market prices for the assets are not available and any alternative fair value measurements are assessed to be clearly unreliable.
- Crops: At fair value based on adjusted market prices of standing crops according to the growth stage of the crops.

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost					
At 01 January 2017	1,726,766	82,494	55,598	-	1,864,858
Additions during the year*	582,992	81,439	974,063	-	1,638,494
Transfers during the year	-	-	(979,929)	-	(979,929)
Disposals during the year	(554,476)	(80,399)	-	-	(634,875)
Currency Translation Difference	(14)	-	-	-	(14)
At 31 December 2017	1,755,268	83,534	49,732	-	1,888,534
Accumulated Depreciation					
At 01 January 2017	510,903	26,932	-	-	537,835
Depreciation for the year	216,724	79,203	-	-	295,927
Disposals during the year	(200,986)	(77,316)	-	-	(278,302)
At 31 December 2017	526,641	28,819	-	-	555,460
Net Book Value					
At 31 December 2017	1,228,627	54,715	49,732	-	1,333,074

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BIOLOGICAL ASSETS (Continued...)

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
Measured at Fair Value					
At 01 January 2017	-	-	-	40,844	40,844
Additions during the year	-	-	-	223,262	223,262
Transfers during the year	-	-	-	(221,448)	(221,448)
Disposals during the year	-	-	-	(1,228)	(1,228)
Gain arising from changes in Fair Values less Cost to Sell	-	-	-	977	977
Currency Translation Difference	-	-	-	(4,818)	(4,818)
At 31 December 2017	-	-	-	37,589	37,589
Carrying Amount					
At 31 December 2017	-	-	-	37,589	37,589
Biological Assets Classification:					
At 31 December 2017					
Biological assets classified as Non-Current Assets	1,228,627	54,715	-	-	1,283,342
Biological assets classified as Current Assets	-	-	49,732	37,589	87,321
	1,228,627	54,715	49,732	37,589	1,370,663

* Additions include Biological Assets appreciation amounting to SAR 582.9 million.

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost					
At 01 January 2016	1,536,593	102,347	62,543	-	1,701,483
Additions during the year*	618,673	93,131	963,050	-	1,674,854
Transfers during the year	-	-	(969,995)	-	(969,995)
Disposals during the year	(428,464)	(112,984)	-	-	(541,448)
Currency Translation Difference	(36)	-	-	-	(36)
At 31 December 2016	1,726,766	82,494	55,598	-	1,864,858
Accumulated Depreciation					
At 01 January 2016	411,228	41,206	-	-	452,434
Depreciation for the year	252,918	89,123	-	-	342,041
Disposals during the year	(153,232)	(103,397)	-	-	(256,629)
Currency Translation Difference	(11)	-	-	-	(11)
At 31 December 2016	510,903	26,932	-	-	537,835
Net Book Value					
At 31 December 2016	1,215,863	55,562	55,598	-	1,327,023
At 01 January 2016	1,125,365	61,141	62,543	-	1,249,049
Measured at Fair Value					
At 01 January 2016	-	-	-	53,836	53,836
Additions during the year	-	-	-	268,737	268,737
Transfers during the year	-	-	-	(266,481)	(266,481)
Loss arising from changes in Fair Values less Cost to Sell	-	-	-	(15,248)	(15,248)
At 31 December 2016	-	-	-	40,844	40,844
Carrying Amount					
At 31 December 2016	-	-	-	40,844	40,844
At 01 January 2016	-	-	-	53,836	53,836

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BIOLOGICAL ASSETS (Continued...)

Biological Assets Classification:

At 31 December 2016

Biological assets classified as Non-Current Assets	1,215,863	55,562	-	-	1,271,425
Biological assets classified as Current Assets	-	-	55,598	40,844	96,442
	1,215,863	55,562	55,598	40,844	1,367,867

At 01 January 2016

Biological assets classified as Non-Current Assets	1,125,365	61,141	-	-	1,186,506
Biological assets classified as Current Assets	-	-	62,543	53,836	116,379
	1,125,365	61,141	62,543	53,836	1,302,885

** Additions include Biological Assets appreciation amounting to SAR 618.7 million.*

Dairy Herd represents cows held for milk production.

Parent Poultry Birds are held for the purpose of laying eggs which are hatched into Broiler Birds (Other Poultry).

Crops are mainly held for the purpose of serving as animal feed which are consumed internally.

Agricultural Risk Management:

The Group is subject to following risks relating to its agricultural activities:

a) Regulatory and Environmental Risk

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

b) Climate and Other Risks

The Group is exposed to risk of loss from climate changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections, vaccination policies and state of the art farms to provide a barrier against diseases.

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10. INVESTMENTS

The investments in associates, joint ventures and available for sale investments comprise of the following:

	<u>Principal activity</u>	<u>Place of Incorporation</u>	<u>31 December 2017</u>	<u>31 December 2016</u>	<u>01 January 2016</u>	<u>31 December 2017</u>	<u>31 December 2016</u>	<u>01 January 2016</u>
			%	%	%	SAR '000	SAR '000	SAR '000
<u>Investments in Associates and Joint Ventures (Refer note 10.1)</u>								
United Farmers Holding Company	Investments in Agricultural sector	Saudi Arabia	33.0%	33.0%	33.0%	63,588	58,296	58,504
Pure Breed Company	Poultry	Saudi Arabia	41.9%	24.7%	24.7%	65,637	38,112	35,469
Almarai Company W.L.L.	Dormant	Qatar	50.0%	50.0%	50.0%	204	204	204
						<u>129,429</u>	<u>96,612</u>	<u>94,177</u>
<u>Available for Sale Investments (Refer note 10.3)</u>								
Mobile Telecommunications Company								
Saudi Arabia - ("Zain")			2.1%	2.1%	2.1%	90,711	102,872	104,237
						<u>90,711</u>	<u>102,872</u>	<u>104,237</u>
Total						<u>220,140</u>	<u>199,484</u>	<u>198,414</u>

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INVESTMENTS (Continued..)

10.1 The investments in associates and joint ventures comprise the following:

	31 December 2017	31 December 2016
	SAR '000	SAR '000
United Farmers Holding Company		
Opening balance	58,296	58,504
Share of Other Comprehensive Loss	(5,201)	(10,388)
Share of Results for the year	10,493	10,180
Closing balance	<u>63,588</u>	<u>58,296</u>
	31 December 2017	31 December 2016
	SAR '000	SAR '000
Pure Breed Company		
Opening balance	38,112	35,469
Additions (Refer note 10.2)	25,000	-
Share of results for the year	2,525	3,143
Distributions	-	(500)
Closing balance	<u>65,637</u>	<u>38,112</u>
	31 December 2017	31 December 2016
	SAR '000	SAR '000
Almarai Company W.L.L.		
Opening balance	204	204
Closing balance	<u>204</u>	<u>204</u>

10.2 During the year, Almarai's fully owned subsidiary i.e. HADCO increased its stake in Pure Breed Company, an associate, from 24.7% to 41.9% by paying a consideration of SAR 25 million. The Group has not acquired control over the operations of Purebreed and continues to account for the interest using equity method.

10.3 The equity investment of 12.4 million shares in Zain is measured at fair value based on quoted market price available on the Saudi Stock Exchange (Tadawul). The fair valuation resulted in unrealised loss of SAR 12.2 million for the year ended 31 December 2017 which is presented within other reserves in Consolidated Statement of Changes in Equity.

The Company has pledged Zain shares to Banque Saudi Fransi ("BSF") to secure the BSF loan to Zain KSA.

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	31 December 2017	31 December 2016	01 January 2016
	<u>SAR '000</u>	<u>SAR '000</u>	<u>SAR '000</u>
11. INVENTORIES			
Raw Materials	2,419,313	2,412,682	2,162,309
Finished Goods	519,297	415,322	374,066
Spares	491,342	469,459	298,109
Work in Process	151,149	93,098	188,802
Total inventories	<u>3,581,101</u>	<u>3,390,561</u>	<u>3,023,286</u>
Allowance for Slow Moving Inventories (Refer note 11.1)	<u>(459,198)</u>	<u>(388,230)</u>	<u>(334,645)</u>
Total	<u><u>3,121,903</u></u>	<u><u>3,002,331</u></u>	<u><u>2,688,641</u></u>

11.1. Movement in the allowance for slow moving inventories:

	31 December 2017	31 December 2016
	<u>SAR '000</u>	<u>SAR '000</u>
Opening balance	388,230	334,645
Charge for the year	82,580	66,943
Written off during the year	(11,612)	(13,358)
Closing balance	<u><u>459,198</u></u>	<u><u>388,230</u></u>

11.2 Allowance for slow moving inventories is based on nature of inventories, ageing profile, their expiry and sales expectation based on historic trends and other qualitative factors.

	31 December 2017	31 December 2016	01 January 2016
	<u>SAR '000</u>	<u>SAR '000</u>	<u>SAR '000</u>
12. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES			
Trade Receivables - Third Parties	949,942	827,378	739,987
- Related Parties (Refer Note 33)	<u>182,733</u>	<u>112,475</u>	<u>96,339</u>
	1,132,675	939,853	836,326
Less: Allowance for impairment of trade receivables (Refer note 12.2)	(76,824)	(32,340)	(37,010)
Less: Allowance for sales returns (Refer note 12.5)	<u>(13,828)</u>	<u>(11,314)</u>	<u>(22,855)</u>
Net Trade Receivables	1,042,023	896,199	776,461
Prepayments	293,145	342,718	313,429
Government Grants	213,208	153,278	77,989
Other Receivables	<u>153,999</u>	<u>156,489</u>	<u>178,512</u>
	<u><u>1,702,375</u></u>	<u><u>1,548,684</u></u>	<u><u>1,346,391</u></u>

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TRADE RECEIVABLES, PREPAYMENTS
AND OTHER RECEIVABLES (Continued..)

	31 December	31 December
	2017	2016
	SAR '000	SAR '000
Ageing of Trade Receivables		
Upto 2 months	930,793	814,726
2 - 3 months	101,767	56,090
More than 3 months	100,115	69,037
	1,132,675	939,853
 12.1 Movement in allowance for Impairment of Trade Receivables is as follows		
At the beginning of the year	32,340	37,010
Allowance made / (reversed) during the year	44,484	(4,670)
At the end of the year	76,824	32,340

12.2 Allowance for impairment of trade receivables is calculated based on ageing profile and history.

12.3 Trade receivables disclosed above are classified as loans and receivables and are measured at amortised cost.

12.4 The average credit period on sales of goods is 25 days (31 December 2016: 23 days, 01 January 2016: 22 days).

12.5 The allowance for sales returns is calculated based on the forecasted return of expired products in line with the Group's product return policy.

12.6 Prepayments under Non-Current Assets represent the subsidiaries in Argentina and USA relating to operating lease agreements for agricultural land for tenure ranging from 4 to 40 years.

	31 December	31 December	01 January
	2017	2016	2016
	SAR '000	SAR '000	SAR '000
13. CASH AND BANK BALANCES			
Cash at Bank - Current accounts	382,964	538,202	506,381
Cash at Bank - Deposits (Refer note 13.1)	1,385,000	-	1,378,100
Cash in Hand	123,733	191,498	154,295
	1,891,697	729,700	2,038,776

13.1 The average rate on bank deposits was 1.7 % (31 December 2016: Nil, 01 January 2016: 1.4% per annum) with an average maturity of two months.

14. SHARE CAPITAL

On 18 Muharram 1439 A.H. (8 October 2017), the shareholders approved at the Extraordinary General Assembly Meeting an increase in the share capital from SAR 8,000 million to SAR 10,000 million through distribution of 1 bonus share for each 4 outstanding shares to existing shareholders.

The Company's share capital at 31 December 2017 amounted to SAR 10,000 million (31 December 2016: SAR 8,000 million, 01 January 2016: SAR 6,000 million), consisting of 1,000 million (31 December 2016: 800 million, 01 January 2016: SAR 600 million) fully paid and issued shares of SAR 10 each.

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15. EMPLOYEE STOCK OPTION PROGRAM (ESOP)

The Company has offered certain employees (the "Eligible Employees") the option (the "Option") for equity ownership ("Restricted Shares" i.e. treasury shares) opportunities and performance based incentives which will result in more alignment between the interest of both shareholders and these employees. The vesting of the Option is dependent on meeting performance targets set by the Company. The exercise of the Option is contingent upon the shares of the Company continuing to be listed on the Saudi Stock Exchange (Tadawul).

Restricted Shares that have not been granted to Eligible Employees in the reporting period for which it was earmarked, it shall carry over to the next reporting period.

In the event of a capital increase, share split or dividend distribution (in the form of shares), the number of Restricted Shares and the exercise price subject to the Option will be adjusted accordingly.

The number of share options and the exercise price has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

The ESOP 2011 was granted in Dul Qadah 1432 A.H. (October 2011). The number of restricted shares shall not exceed 2,869,350 shares.

The ESOP 2013 was granted in Rajab 1434 A.H. (June 2013). The number of restricted shares shall not exceed 1,237,500 shares.

The ESOP 2015 was granted in Dul Qadah 1436 A.H. (August 2015). The number of restricted shares shall not exceed 2,283,000 shares.

The ESOP2016 was granted in Jumada Al-Thani 1437 A.H. (April 2016). The number of Restricted Shares shall not exceed 2,933,333 shares.

The ESOP 2017 was granted in Muharram 1439 A.H. (February 2017). The number of Restricted Shares shall not exceed 4,125,000 shares.

The following table sets out the number of the, and movements in, share options during the year:

	31 December 2017	31 December 2016
At the beginning of the year	4,807,000	3,062,000
Granted during the year	3,230,000	2,828,000
Settled During the year	-	(774,000)
Forfeited during the year	(311,000)	(309,000)
At the end of the year	<u>7,726,000</u>	<u>4,807,000</u>

The fair value per Option is estimated at the grant date using the Black Scholes Merton pricing model, taking into account the terms and conditions upon which the share options were granted.

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EMPLOYEE STOCK OPTION PROGRAM (Continued..)

	ESOP 2011	ESOP 2013	ESOP 2015	ESOP 2016	ESOP 2017
Input to the Model;					
Dividend Yield (%)	2.5%	1.5%	1.1%	2.2%	1.8%
Expected Volatility (%)	21.0%	18.0%	25.0%	33.2%	15.0%
Risk Free Interest Rate (%)	5.0%	5.0%	5.0%	5.0%	5.0%
Contractual Life of Share Options (Years)	2.4	2.8	2.5	2.8	3.0
Share Price (SAR) at Grant Date	89.5	83.3	90.5	52.5	55.6
Exercise Price (SAR) at Grant Date	88.3	64.8	73.5	45.0	46.0
Model Used	Black Scholes Merton				
Fair Value per Option	13.5	23.9	26.7	15.7	13.9
Exercise Price (SAR) after bonus element	33.8	32.5	44.2	36.0	46.0

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the Options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table shows movement during the year:

	31 December 2017	31 December 2016
	SAR '000	SAR '000
TREASURY SHARES		
At the beginning of the year	378,994	330,699
Acquired during the year	75,533	75,414
Disposed of on exercise of options	(1,371)	(27,119)
At the end of the year	453,156	378,994

16. OTHER RESERVES

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
Hedging Reserve	16,216	128,374	86,326
Currency Translation Reserve	611,580	581,195	294,196
Others	(18,661)	2,427	12,114
	609,135	711,996	392,636

17. PERPETUAL SUKUK

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
Perpetual Sukuk	1,700,000	1,700,000	1,700,000

On 24 Dhul Qadah 1434 A.H. (30 September 2013), the Company issued its first Perpetual Sukuk - Series I amounting to SAR 1,700.0 million at a par value of SAR 1 million each without discount or premium, bearing a return based on SIBOR plus a pre-determined margin.

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PERPETUAL SUKUK (Continued)

The Company at its own discretion may redeem the Perpetual Sukuk, in full or in part, and may defer, in full or in part, payment of any profit distribution. The Company is not subject to any limitation on the number of times that it may defer such payment at its own discretion and such deferral is not considered as an event of default.

The Perpetual Sukuk, in the event of winding up of the Company, ranks in priority to all subordinated obligations and the ordinary share capital of the Company. These Sukuk do not carry the right to vote, however each Sukukholder participates in the Sukuk assets.

The terms of the Sukuk entitle the Company to commingle its own assets with the Sukuk assets. Sukuk assets comprise the Sukukholders' share in the Mudaraba assets and the Sukukholders' interest in the Murabaha transaction, together with any amounts standing to the credit of the Sukuk account and the Reserve retained by the Company from the Sukuk account.

18. NON CONTROLLING INTEREST

Summarized aggregate financial information of the Group's subsidiaries that has material non-controlling interests (Refer note1) is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	31 December 2017	Intra Group Adjustments	31 December 2017
	SAR '000	SAR '000	SAR '000
Non-current assets	598,534	-	598,534
Current assets	1,353,463	-	1,353,463
Non-current liabilities	753,359	-	753,359
Current liabilities	384,036	-	384,036
Equity attributable to owners of the Company	814,602		814,602
Non-Controlling Interests	362,905	33,962	396,867
Revenue	2,267,060	-	2,267,060
Expenses	(2,304,920)	-	(2,304,920)
Net Loss for the year	(37,860)	-	(37,860)
Net Loss attributable to:			
Owners of the Company	(15,537)	-	(15,537)
Non-Controlling Interests	(22,323)	-	(22,323)
Total Comprehensive Income attributable to:			
Owners of the Company	(45,920)	-	(45,920)
Non-Controlling Interests	(13,331)	-	(13,331)
Total Comprehensive Income for the year	(59,251)	-	(59,251)

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NON CONTROLLING INTEREST (Continued)_

	31 December 2016	Intra Group Adjustments	31 December 2016
	SAR '000	SAR '000	SAR '000
Non-current assets	1,072,580	-	1,072,580
Current assets	685,682	-	685,682
Non-current liabilities	239,814	-	239,814
Current liabilities	649,923	-	649,923
Equity attributable to owners of the Company	868,525		868,525
Non-Controlling Interests	387,312	33,938	421,250
Revenue	2,623,132	-	2,623,132
Expenses	2,600,215	-	2,600,215
Net Profit for the year	22,917	-	22,917
Net Profit attributable to:			
Owners of the Company	20,606	-	20,606
Non-Controlling Interests	2,311	-	2,311
Total Comprehensive Income attributable to:			
Owners of the Company	(266,395)	-	(266,395)
Non-Controlling Interests	(225,397)	-	(225,397)
Total Comprehensive Income for the year	(491,792)	-	(491,792)

31 December 2017	31 December 2016	01 January 2016
SAR '000	SAR '000	SAR '000

19. LOANS AND BORROWINGS

	Notes			
Islamic Banking Facilities (Murabaha)	19.1	5,839,187	5,784,821	5,638,441
Saudi Industrial Development Fund	19.2	1,733,511	1,219,508	1,455,613
Banking Facilities of Non-GCC Subsidiaries	19.3	462,248	385,106	170,791
International Finance Corporation	19.4	278,190	-	-
Agricultural Development Fund	19.5	187,912	164,091	-
Banking Facilities of GCC Subsidiaries	19.6	150,134	-	-
		8,651,182	7,553,526	7,264,845
Sukuk	19.7	3,895,346	3,893,613	3,891,292
		12,546,528	11,447,139	11,156,137

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LOANS AND BORROWINGS (Continued...)

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
Short Term Borrowings	182,455	146,911	153,380
Current Portion of Long Term Borrowings	1,820,948	1,171,885	1,668,030
Loans and Borrowings - Current Liabilities	2,003,403	1,318,796	1,821,410
Loans and Borrowings - Non-Current Liabilities	10,543,125	10,128,343	9,334,727
	12,546,528	11,447,139	11,156,137

- 19.1. The borrowings under Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group. The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a revolving nature. As at 31 December 2017 SAR 6,462.9 million Islamic banking facilities (Murabaha) were unutilised and available for drawdown with maturities predominantly greater than five years. (31 December 2016: SAR 6,050.8 million, 01 January 2016: SAR 2,739.9 million).
- 19.2 The borrowings of the Group from the Saudi Industrial Development Fund (SIDF) are secured by a mortgage on specific assets equivalent to the outstanding borrowings. As at 31 December 2017 the Group had SAR 267.1 million of unutilised SIDF facilities available for drawdown with maturities predominantly greater than five years (31 December 2016: SAR 351.0 million, 01 January 2016: SAR 380.3 million). Assets held as collateral are subject to restriction of disposal until the loan is settled or the disposal is approved by SIDF.
- 19.3 These banking facilities of non GCC subsidiaries represent borrowings from foreign banking institutions. As at 31 December 2017 SAR equivalent 248.3 million (31 December 2016: SAR 214.8 million, 01 January 2016: SAR 195.2 million) facilities were unutilised and available for drawdown.
- 19.4 During the year 2017, the Group has been granted new Murabaha Facility by International Finance Corporation (IFC- Member of World Bank Group) of SAR281.4 million committed with maturity period of more than 9 years and SAR 281.4 million uncommitted. As at 31 December 2017 the Group had no unutilised IFC facilities available.
- 19.5 The borrowings from Agriculture Development Fund (ADF) is secured by a mortgage on specific land equivalent to the outstanding borrowings. As at 31 December 2017 the Group had no unutilised ADF facilities available (31 December 2016: SAR 26.3 million, 01 January 2016: Nil). Assets held as collateral are subject to restriction of disposal until the loan is settled or the disposal is approved by ADF.
- 19.6 These banking facilities of GCC subsidiaries represent new borrowings of GCC subsidiaries from banking institutions of SAR equivalent 150.1 million. As at 31 December 2017 the Group had no unutilised facilities available.
- 19.7 On 14 Rabi Thani 1433 A.H. (7 March 2012), the Company issued its first Sukuk – Series I amounting to SAR 1,000.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on Saudi Arabia Interbank Offered Rate (SIBOR) plus a pre-determined margin payable semi-annually in arrears. The Sukuk will be redeemed at par on its date of maturity i.e. 30 Jumada Thani 1440 A.H. (7 March 2019).

On 19 Jumada Awal 1434 A.H. (31 March 2013), the Company issued its second Sukuk - Series II amounting to SAR 787.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. . The Sukuk will be redeemed at par on its date of maturity i.e. 7 Shabaan 1441 A.H. (31 March 2020).

On 19 Jumada Awal 1434 A.H. (31 March 2013), the Company issued its second Sukuk – Series III amounting to SAR 513.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. . The Sukuk will be redeemed at par on its date of maturity i.e. 15 Rajab 1439 A.H. (31 March 2018).

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LOANS AND BORROWINGS (Continued...)

On 3 Dhul Hijja 1436 A.H. (16 September 2015), the Company issued its third Sukuk amounting to SAR 1,600.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk will be redeemed at par on its date of maturity i.e. 20 Safar 1444 A.H. (16 September 2022).

The terms of the Sukuk entitle the Company to commingle its own assets with the Sukuk assets. Sukuk assets comprise the Sukukholders' share in the Mudaraba assets and the Sukukholders' interest in the Murabaha transactions, together with any amounts standing to the credit of the Sukuk account and the reserve retained by the Company from the Sukuk account.

- 19.8 The loans contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by Management, in case of potential breach, actions are taken by management to ensure compliance.

	31 December 2017	31 December 2016
	SAR '000	SAR '000
20. EMPLOYEE BENEFITS		
Opening Balance	573,979	527,200
Consolidated Statement of Profit or Loss		
Current Service and Interest Cost	128,596	115,358
Consolidated Statement of Comprehensive Income		
Actuarial (Gain) / Loss	(10,151)	12,723
Cash Movements:		
Benefits paid	(70,888)	(81,302)
Closing Balance	<u>621,536</u>	<u>573,979</u>

	31 December 2017	31 December 2016
	SAR '000	SAR '000

Sensitivity in Defined Benefit Obligation

Salary Inflation	1% Decrease	570,995	531,299
	Base	621,536	573,979
	1% Increase	678,247	622,253
Discount Rate	1% Decrease	678,721	622,353
	Base	621,536	573,979
	1% Increase	571,618	532,177

Demographics Assumption

	31 December 2017	31 December 2016
Membership Data		
Number of Employees	37,967	40,020
Average age of employees (years)	34.2	33.6
Average years of past service	4.7	3.6

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EMPLOYEE BENEFITS (Continued...)

Summary of Economic Assumptions

Country	Rate	31 December 2017	31 December 2016
Saudi Arabia	Net Discount Rate Adjusted for Inflation	1.3%	1.0%
United Arab Emirates	Net Discount Rate Adjusted for Inflation	1.0%	0.7%
Oman	Net Discount Rate Adjusted for Inflation	2.5%	2.2%
Kuwait	Net Discount Rate Adjusted for Inflation	1.0%	0.7%
Bahrain	Net Discount Rate Adjusted for Inflation	4.5%	4.3%
Qatar	Net Discount Rate Adjusted for Inflation	1.0%	0.7%

21. DEFERRED TAX

Following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

	31 December 2017 SAR '000	31 December 2016 SAR '000
21.1 Deferred Tax Assets		
Opening Balance	13,875	1,156
Charge for the year	25,485	12,719
Currency Translation Difference	566	-
Closing Balance	39,926	13,875

Deferred tax assets relate to unused tax losses for its subsidiaries in Argentina and Egypt. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

	31 December 2017 SAR '000	31 December 2016 SAR '000
Asset for deferred taxation comprising temporary differences related to:		
Unused tax losses	39,926	13,875
	39,926	13,875
21.2 Deferred Tax Liabilities		
Opening Balance	56,492	67,123
(Reversed) /Charge for the year	(2,196)	8,191
Currency Translation Difference	(6,236)	(18,822)
Closing Balance	48,060	56,492

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DEFERRED TAX (Continued...)

Deferred tax liability of SAR 48.1 million relates to taxable temporary differences arising on Property, Plant and Equipment. This includes SAR 23.8 million on the fair valuation adjustment of land amounting to SAR 68.1 million carried out at the time of business combination of its subsidiaries in Argentina, being the temporary difference between the carrying amount of land for financial reporting purposes and the amount used for taxation purposes.

	31 December 2017	31 December 2016
	SAR '000	SAR '000
Liability for deferred taxation comprising temporary differences related to:		
Accelerated tax depreciation	24,234	28,256
Fair valuation adjustment of land	23,826	28,236
	<u>48,060</u>	<u>56,492</u>
	31 December 2017	31 December 2016
	SAR '000	SAR '000

22. ZAKAT AND FOREIGN INCOME TAX

Zakat Provision (Refer note 22.1)	65,659	67,576
Foreign Income Tax Provision (Refer note 22.2)	4,267	11,297
Deferred Tax (Refer note 20)	(27,681)	(4,528)
	<u>42,245</u>	<u>74,345</u>

22.1 Zakat Provision

Zakat is charged at the higher of net adjusted income or Zakat base as required by the General Authority of Zakat and Tax (GAZT). In the current year, the Zakat charge is based on the net adjusted income method.

	31 December 2017	31 December 2016
	SAR '000	SAR '000
Opening Balance	195,624	130,941
Charge for the year	65,659	67,576
Payments	(5,048)	(2,893)
Closing Balance	<u>256,235</u>	<u>195,624</u>

The Company has filed its Consolidated Zakat returns for all the years up to 2016 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the GAZT for all the years up to 2006 while the Zakat returns for years 2007 to 2016 are under review by the GAZT.

HADCO has filed its Zakat returns for all years up to 31 December 2008 and has settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the GAZT for all years up to 31 December 2002 while the 2003 to 2008 Zakat returns are under review by the GAZT. From 2009 onwards HADCO is not required to file a separate return as its results are included in the Company's Consolidated Zakat return.

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ZAKAT AND FOREIGN INCOME TAX (Continued...)

22.2 Foreign Income Tax Provision

	31 December 2017	31 December 2016
	SAR '000	SAR '000
Opening Balance	19,278	15,249
Charge for the year	4,267	11,297
Payments	(6,874)	(7,268)
Closing Balance	<u>16,671</u>	<u>19,278</u>

Foreign subsidiaries have filed their tax returns for all years up to 2016, and settled their tax liabilities accordingly. While all the returns have been filed, final assessments are pending for certain years. The earliest year open for assessment is 2011, and the latest year assessed is 2013.

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
23. <u>TRADE AND OTHER PAYABLES</u>			
Trade Payable - Third Parties	1,566,225	1,658,606	1,368,767
- Related Parties (Refer note 33)	26,650	27,906	44,719
Accrued Expenses	1,333,533	1,204,563	1,095,259
Other Payables	301,082	223,449	137,609
	<u>3,227,490</u>	<u>3,114,524</u>	<u>2,646,354</u>

The management considers that the carrying amount of trade payables approximates to their fair value. The average credit period taken for trade purchases is 73 days (31 December 2016: 64 days, 01 January 2016: 58 days). Other payables include Government Grants related to inventories held at reporting date.

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	31 December 2017	31 December 2016
	SAR '000	SAR '000
24. COST OF SALES		
Material Consumed	4,874,274	5,419,029
Government Grants	(280,991)	(176,226)
Employee Costs	1,319,658	1,345,799
Depreciation of Property, Plant and Equipment	1,267,648	1,129,529
Repairs and Maintenance	492,850	466,945
Depreciation of Biological Assets	295,927	342,041
Telephone and Electricity	281,909	248,366
Vaccines and Drugs	121,101	131,080
Crates and Pallets Consumed	40,503	43,311
Rent	58,088	39,249
Amortisation of Software Licenses	13,025	1,680
Shared Based Payment Expense	15,436	13,497
(Gain) / Loss arising from Changes in Fair Values less Cost to Sell of Crops	(977)	15,247
Other Expenses	436,337	415,218
Less:		
Appreciation of Biological Assets	(582,895)	(618,673)
	8,351,893	8,816,092
	8,351,893	8,816,092
	31 December 2017	31 December 2016
	SAR '000	SAR '000
25. SELLING AND DISTRIBUTION EXPENSES		
Employee Costs	1,287,384	1,316,154
Marketing Expenses	434,339	569,968
Depreciation of Property, Plant and Equipment	272,746	279,822
Repairs and Maintenance	134,400	135,348
Rent	39,195	42,020
Telephone and Electricity	24,989	22,880
Share Based Payment Expense	10,886	9,284
Amortisation of Software Licenses	7,403	6,396
Crates and Pallets Consumed	1,103	1,559
Other Expenses	179,434	96,930
	2,391,879	2,480,361
	2,391,879	2,480,361

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	31 December 2017	31 December 2016
	SAR '000	SAR '000
26. GENERAL AND ADMINISTRATION EXPENSES		
Employee Costs	225,116	270,731
Insurance	54,949	57,477
Depreciation of Property, Plant and Equipment	33,277	32,990
Repairs and Maintenance	22,029	16,534
Share Based Payment Expense	13,071	12,298
Rent	8,623	9,940
Telephone and Electricity	8,235	6,146
Amortisation of Software Licenses	29,589	24,403
Other Expenses	2,450	2,430
	397,339	432,949
	31 December 2017	31 December 2016
	SAR '000	SAR '000
27. OTHER EXPENSES, NET		
Loss on Disposals of Property, Plant and Equipment	14,443	15,898
Loss on Disposals of Biological Assets	160,527	84,333
Loss on Disposals of Intangible Assets	-	3,875
Dividend on Available For Sale Investment	(1,110)	-
Net gain on settlement of Insurance Claim (Refer 27.1)	-	(25,108)
Impairment of Assets (Refer 27.2)	37,211	12,400
	211,071	91,398

27.1 During the year ended 31 December 2016, the Group has received an amount of SAR 25.1 million as full and final settlement for an insurance claim related to power outages that occurred during Muharram 1437 (November 2015) in its manufacturing facilities in Al Kharj.

27.2 a) 31 December 2017

- i. Due to regional situation in Qatar, Management carried out an impairment assessment of its Qatar operations based on which assets amounting to SAR 6.6 million are considered as impaired.
- ii. During the year, Management changed its business operational plan in Teeba due to which assets amounting to SAR 30.6 million are considered as impaired.

b) 31 December 2016

- i. As part of site restoration activities at fire affected factory site in Jeddah and the transfer of facilities to the new plant, the Group identified additional assets with net book value of SAR 104.6 million which were no longer usable and are considered impaired. The impairment is charged to the Consolidated Statement of Profit or Loss net of the site restoration cost provision of SAR 92.2 million.

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	31 December 2017	31 December 2016
	SAR '000	SAR '000
28. FINANCE COST, NET		
Interest and Finance Charges	476,018	402,481
Interest Income on other Deposits	(3,538)	(2,817)
Interest Capitalisation	(73,816)	(53,936)
Net Loss on Settlement of Interest Rate Swap Instrument	2,590	5,608
	401,254	351,336

29. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	31 December 2017	31 December 2016
	SAR '000	SAR '000
Profit for the year attributable to the shareholders of the Company	2,182,286	2,147,786
Less: Profit attributable to Sukukholders	(71,142)	(65,394)
Earnings for the purposes of basic earnings per share	2,111,144	2,082,392
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings	991,475	992,004
Weighted average number of ordinary shares for the purposes of diluted earning	1,000,000	1,000,000
Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company		
- Basic	2.13	2.10
- Diluted	2.11	2.08

Weighted average number of shares are retrospectively adjusted to reflect the effect of Bonus Shares and are adjusted to take account of Treasury Shares held under the Almarai Employee Stock Options Programme.

30. SEGMENT REPORTING

The Group's principal business activities involve manufacturing and trading of dairy and juice products under Almarai, Beyti and Teeba brands, bakery products under L'usine and 7 Days brands and poultry products under Alyoum brand. Other activities include Arable, Horticulture and Infant Nutrition. Selected financial information as at 31 December 2017 categorised by these business segments, is as follows:

Dairy and Juice	Milk production, dairy and fruits juice product processing and distribution
Bakery	Bakery products manufacturing and distribution
Poultry	Poultry products manufacturing and distribution
Other Activities	Arable, Horticulture and Infant Nutrition

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SEGMENT REPORTING (Continued..)

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<u>31 December 2017</u>					
Revenue	10,585,108	1,807,090	1,463,626	1,121,666	14,977,490
Third Party Revenue	10,510,471	1,807,090	1,463,626	154,345	13,935,532
Depreciation and Amortisation	(1,221,657)	(228,245)	(308,990)	(160,723)	(1,919,615)
Share of Results of Associates and Joint Ventures	-	-	2,525	10,493	13,018
Profit / (loss) attributable to Shareholders of the Company	2,049,004	292,637	(29,161)	(130,194)	2,182,286
Share of Other Comprehensive Loss of Associates and Joint Ventures	-	-	-	(5,201)	(5,201)
Profit / (loss)	2,007,276	312,042	(29,161)	(130,194)	2,159,963
Total Assets	20,468,751	2,463,528	5,708,497	3,255,073	31,895,849

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<u>31 December 2016</u>					
Revenue	11,060,030	1,880,789	1,331,506	905,773	15,178,098
Third Party Revenue	10,961,324	1,880,789	1,331,506	164,960	14,338,579
Depreciation and Amortisation	(1,207,205)	(178,299)	(295,493)	(135,864)	(1,816,861)
Share of Results of Associates and Joint Ventures	-	-	3,143	10,180	13,323
Profit / (loss) attributable to Shareholders of the Company	2,287,808	332,230	(294,460)	(177,792)	2,147,786
Share of Other Comprehensive Loss of Associates and Joint Ventures	-	-	-	(10,388)	(10,388)
Profit / (loss)	2,275,335	347,014	(294,460)	(177,792)	2,150,097
Total Assets	18,105,205	2,478,040	5,619,936	2,991,256	29,194,437

The business activities and operating assets of the Group are mainly concentrated in GCC countries. The selected financial information as at 31 December 2017, categorised by these geographic segments is as follows:

	31 December 2017	31 December 2016
	SAR '000	SAR '000
<u>Revenue</u>		
Saudi Arabia	9,300,015	9,057,081
Other GCC Countries	3,480,654	3,745,732
Other Countries	1,154,863	1,535,766
Total	13,935,532	14,338,579

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SEGMENT REPORTING (Continued...)

	31 December 2017	31 December 2016
	SAR '000	SAR '000
<u>Non - Current Assets</u>		
Saudi Arabia	22,466,056	21,569,851
Other GCC Countries	411,882	442,344
Other Countries	2,205,135	1,800,405
Total	<u>25,083,073</u>	<u>23,812,600</u>

	31 December 2017	31 December 2016
	SAR '000	SAR '000
31. <u>CASH AND CASH EQUIVALENTS</u>		
Cash at Bank - Current accounts	382,964	538,202
Cash at Bank - Deposits	1,385,000	-
Cash in Hand	123,733	191,498
Cash and Bank Balances	<u>1,891,697</u>	<u>729,700</u>
Bank Overdrafts	(255,585)	(165,620)
Total	<u>1,636,112</u>	<u>564,080</u>

32. COMMITMENT AND CONTINGENCIES

- 32.1 The contingent liabilities against letters of credit are SAR 364.7 million at 31 December 2017 (31 December 2016: SAR 447.9 million; 01 January 2016: SAR 531.8 million).
- 32.2 The contingent liabilities against letters of guarantee are SAR 805.8 million at 31 December 2017 (31 December 2016: SAR 1,476.6 million; 01 January 2016: SAR 1,455.6 million).
- 32.3 The Group had capital commitments amounting to SAR 1,056.6 million at 31 December 2017 in respect of ongoing projects (31 December 2016: SAR 2,037.1 million; 01 January 2016: SAR 3,647.8 million). The majority of the capital commitments are for new production facilities, sales depot development, distribution fleet, fridges and IT equipment.
- 32.4 Commitments under operating leases expire as follows:

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
Within one year	101,119	94,447	92,745
Two to five years	164,782	189,531	193,435
After five years	77,813	214,301	215,239
Total	<u>343,714</u>	<u>498,279</u>	<u>501,419</u>

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33. RELATED PARTY TRANSACTIONS

33.1. During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2017 along with their balances:

Nature of Transaction	Transaction Amount		Balance at		
	31 December	31 December	31 December	31 December	01 January
	2017	2016	2017	2016	2016
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Sales To					
Panda Retail Company	640,247	612,686	182,733	112,475	96,339
	640,247	612,686	182,733	112,475	96,339
Purchases From					
United Sugar Company	106,313	106,991	(6,633)	(8,702)	(7,661)
Afia International Company	8	76	-	(76)	-
Al Nafoura Catering	393	309	(28)	(43)	-
Al Kabeer Farms - Forage	55,626	53,530	(19,416)	(20,216)	(8,899)
Arab Company for Agricultural Services (ARASCO)	4,228	6,349	(573)	1,131	1,507
	166,568	167,255	(26,650)	(27,906)	(15,053)
Services To					
Al Kabeer Farms	864	864	-	-	-
United Farmers Holding Company	-	131	1,735	1,735	1,603
	864	995	1,735	1,735	1,603
Services From					
Arabian Shield Cooperative Insurance Company	115,181	113,704	(92)	981	(48,865)
Todhia Farm	813	813	-	-	-
Abdulrahman bin Abdulaziz Al Muhanna (Land rent)	173	173	-	-	-
Mobile Telecommunication Company Saudi Arabia	839	303	-	-	-
Al Jazirah Corporation for Press, Printing and Publishing	139	357	-	(52)	(120)
	117,145	115,350	(92)	929	(48,985)
Dividend Received					
Pure Breed Company	-	500	-	-	-
	-	500	-	-	-
Payment of Sukuk Finance Charges					
Yamama Cement Company	1,581	1,179	(373)	(433)	(235)
Saudi British Bank	14,940	10,664	(3,825)	(4,221)	(2,376)
Banque Saudi Fransi	14,855	11,180	(3,764)	(4,442)	(2,547)
Arabian Shield Cooperative Insurance Company	98	73	(29)	(33)	-
	31,474	23,096	(7,991)	(9,129)	(5,158)
Bank Financing					
Saudi British Bank	35,935	31,136	1,242,095	692,569	1,175,494
J.P. Morgan Saudi Arabia Limited	5,398	1,046	-	375,250	-
Banque Saudi Fransi	9,873	19,093	210,000	415,000	781,667
	51,206	51,275	1,452,095	1,482,819	1,957,161

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RELATED PARTY TRANSACTIONS (Continued...)

33.2. The related party transactions were made on terms equivalent to those that prevail in arm's length transactions. The related parties, other than subsidiaries and associates, include following:

<u>Entity</u>	<u>Relationship</u>
Panda Retail Company	Common Ownership
United Sugar Company	Common Ownership
Afia International Company	Common Ownership
Al Nafoura Catering	Common Ownership
Arab Company for Agricultural Services (ARASCO)	Common Directorship
Yamama Cement Company	Common Directorship
Arabian Shield Cooperative Insurance Company	Common Directorship
Managed Arable Farms	Common Directorship
Abdulrahman bin Abdulaziz Al Muhanna	Common Directorship
Mobile Telecommunication Company Saudi Arabia	Common Directorship
Al Jazirah Corporation for Press, Printing and Publishing	Common Directorship
Saudi British Bank	Common Directorship
Banque Saudi Fransi	Common Directorship
JP Morgan Saudi Arabia Limited	Common Directorship

33.3 Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Directors receive fixed remuneration as a result of their direct duties and responsibilities. The most Senior Executives, including the Chief Executive Officer and the Chief Financial Officer, receive remuneration according to the employment contracts signed with them. The following table illustrates details of remuneration and compensation paid to Directors and Key Management Personnel:

	Non Executive / Independent Board Members	Key Management Personnel	Total	Non Executive / Independent Board Members	Key Management Personnel	Total
	31-Dec-17			31-Dec-16		
	SAR 000			SAR 000		
Salaries and Compensation	2,060	8,021	10,081	3,600	6,397	9,997
Allowances	1,680	528	2,208	449	600	1,049
Annual and Periodic Bonuses	-	12,217	12,217	-	8,056	8,056
In-kind Benefits	-	1,531	1,531	-	1,619	1,619
Other Benefits	1,800	3,600	5,400	3,080	5,050	8,130
Total	5,540	25,897	31,437	7,129	21,722	28,851

34. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2017, the Group had various financial derivatives that were designated as cash flow hedge instruments to cover cash flow fluctuations arising from commission rates, foreign exchange prices and commodity prices that are subject to market price fluctuations. As per Group policy derivative instruments are not used for trading or speculative purposes.

At 31 December 2017 the Group had 26 commission rate swap agreements in place with a total notional amount of SAR 5,097.0 million. At 31 December 2016 the Group had 28 commission rate swap agreements in place with a total notional amount of SAR 4,551.0 million. At 01 January 2016 the Group had 19 commission rate swap agreements in place with a total notional amount of SAR 2,863.3 million.

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DERIVATIVE FINANCIAL INSTRUMENTS (Continued...)

The swaps result in the Group receiving floating SIBOR or LIBOR rates while paying fixed rates of commission rate under certain conditions. The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings.

The Group enters into hedging strategies by using various financial derivatives to cover foreign exchange firm commitments and forecasted transactions that are highly probable.

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item, therefore does not result in basis risk.

All financial derivatives are carried in the Consolidated Statement of Financial Position at fair value. All cash flow hedges are considered highly effective. The net increase in fair value of SAR 112.1 million was recognised in Other Reserves within Consolidated Statement of Changes in Equity.

The following table detail the notional principal amounts and remaining terms outstanding as at the reporting date:

	Nominal amount of the hedging instruments SAR '000	Carrying amount of the hedging instrument	
		Assets SAR '000	Liabilities SAR '000
31 December 2017			
Forward currency contracts	3,519,427	6,407	15,591
Interest rate swaps	5,097,050	18,594	18,334
Commodity Derivatives	153,487	1,287	8,579
	8,769,964	26,288	42,504

	Nominal amount of the hedging instruments SAR '000	Carrying amount of the hedging instrument	
		Assets SAR '000	Liabilities SAR '000
31 December 2016			
Forward currency contracts	4,374,349	827	90,379
Interest rate swaps	4,551,048	10,982	39,002
Commodity Derivatives	191,138	3,128	13,931
	9,116,535	14,937	143,312

	Nominal amount of the hedging instruments SAR '000	Carrying amount of the hedging instrument	
		Assets SAR '000	Liabilities SAR '000
01 January 2016			
Forward currency contracts	4,143,064	1,290	45,274
Interest rate swaps	2,836,297	11,089	37,098
Commodity Derivatives	160,613	2,148	18,481
	7,139,974	14,527	100,853

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35. FINANCIAL INSTRUMENTS

35.1 Fair value measurement of financial instruments

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. Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

31 December 2017								
	Carrying amount				Fair Value			
	Fair Value - hedging Instruments	Available for Sale	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
SAR '000								
Financial Assets								
Derivative Financial Instruments	26,288	-	-	26,288	-	26,288	-	26,288
Available for Sale Investments	-	90,711	-	90,711	90,711	-	-	90,711
Trade and Other Receivables	-	-	1,196,022	1,196,022	-	-	-	-
Cash and Bank Balances	-	-	1,891,697	1,891,697	-	-	-	-
	26,288	90,711	3,087,719	3,204,718	90,711	26,288	-	116,999
Financial Liabilities								
Derivative Financial Instruments	42,504	-	-	42,504	-	42,504	-	42,504
Loans and Borrowings	-	-	12,546,528	12,546,528	-	-	-	-
Bank Overdrafts	-	-	255,585	255,585	-	-	-	-
Trade and Other Payables	-	-	1,893,957	1,893,957	-	-	-	-
	42,504	-	14,696,070	14,738,574	-	42,504	-	42,504

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FINANCIAL INSTRUMENTS (Continued...)

31 December 2016								
Carrying amount				Fair Value				
Fair Value - hedging Instruments	Available for Sale	Amortised Cost	Total	Level 1	Level 2	Level 3	Total	
SAR '000								
Financial Assets								
Derivative Financial Instruments	14,937	-	14,937	-	14,937	-	14,937	
Available for Sale Investments	102,872	-	102,872	102,872	-	-	102,872	
Trade and Other Receivables	-	1,052,688	1,052,688	-	-	-	-	
Cash and Bank Balances	-	729,700	729,700	-	-	-	-	
	14,937	102,872	1,782,388	102,872	14,937	-	117,809	
Financial Liabilities								
Derivative Financial Instruments	143,312	-	143,312	-	143,312	-	143,312	
Loans and Borrowings	-	11,447,139	11,447,139	-	-	-	-	
Bank Overdrafts	-	165,620	165,620	-	-	-	-	
Trade and Other Payables	-	1,909,961	1,909,961	-	-	-	-	
	143,312	13,522,720	13,666,032	-	143,312	-	143,312	
01 January 2016								
Carrying amount				Fair Value				
Fair Value - hedging Instruments	Available for Sale	Amortised Cost	Total	Level 1	Level 2	Level 3	Total	
SAR '000								
Financial Assets								
Derivative Financial Instruments	14,527	-	14,527	-	14,527	-	14,527	
Available for Sale Investments	104,237	-	104,237	104,237	-	-	104,237	
Trade and Other Receivables	-	954,973	954,973	-	-	-	-	
Cash and Bank Balances	-	2,038,776	2,038,776	-	-	-	-	
	14,527	104,237	2,993,749	104,237	14,527	-	118,764	
Financial Liabilities								
Derivative Financial Instruments	100,853	-	100,853	-	100,853	-	100,853	
Loans and Borrowings	-	11,156,137	11,156,137	-	-	-	-	
Bank Overdrafts	-	217,647	217,647	-	-	-	-	
Trade and Other Payables	-	1,551,095	1,551,095	-	-	-	-	
	100,853	12,924,879	13,025,732	-	100,853	-	100,853	

35.2. Risk Management of Financial Instruments

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk and capital management risk.

Credit Risk:

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and receivables from related parties as follows.

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FINANCIAL INSTRUMENTS (Continued...)

	31 December 2017 SAR '000	31 December 2016 SAR '000	01 January 2016 SAR '000
Cash at Bank	1,767,964	538,202	1,884,481
Trade Receivables - Third Parties	859,290	783,724	680,122
Trade Receivables - Related Parties	182,733	112,475	96,339
Derivative Financial Instruments	26,288	14,937	14,527
	2,836,275	1,449,338	2,675,469

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from BBB- and above.
- The receivable are shown net of allowance for impairment of trade receivables and sales returns.
- Financial position of related parties is stable.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Group's exposure to bad debts is not significant.

Trade receivables outstanding balance comprises of 55% in KSA, 31% in GCC (other than KSA) and 14% in other Countries. The five largest customers account approximately for 41% of outstanding trade receivables at 31 December 2017.

Liquidity Risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted, and include estimated interest payments.

	31 December 2017			
	Carrying Amount	On Demand or Less than 1 year	1 year to 5 years	More than 5 years
Non Derivative Financial LiabilitiesSAR '000.....			
Bank Overdrafts	255,585	255,585	-	-
Loans and Borrowings	12,546,528	2,003,403	9,822,256	3,015,623
Trade and other payables	1,867,307	1,867,307	-	-
Trade Payables to Related Parties	26,650	26,650	-	-
	14,696,070	4,152,945	9,822,256	3,015,623
Derivative Financial Liabilities				
Forward currency contracts	15,591	3,198	12,393	-
Interest rate swaps	18,334	-	18,334	-
	33,925	3,198	30,727	-

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FINANCIAL INSTRUMENTS (Continued...)

31 December 2016				
	Carrying Amount	On Demand or Less than 1 year	1 year to 5 years	More than 5 years
Non Derivative Financial LiabilitiesSAR '000.....			
Bank Overdrafts	165,620	165,620	-	-
Loans and Borrowings	11,447,139	1,318,796	9,417,637	2,919,817
Trade and other payables	1,882,055	1,882,055	-	-
Trade Payables to Related Parties	27,906	27,906	-	-
	13,522,720	3,394,377	9,417,637	2,919,817
Derivative Financial Liabilities				
Forward currency contracts	90,379	86,666	3,713	-
Interest rate swaps	39,002	1,503	37,499	-
	129,381	88,169	41,212	-
01 January 2016				
	Carrying Amount	On Demand or Less than 1 year	1 year to 5 years	More than 5 years
Non Derivative Financial LiabilitiesSAR '000.....			
Bank Overdrafts	217,647	217,647	-	-
Loans and Borrowings	11,156,137	1,821,410	8,857,084	2,420,982
Trade and other payables	1,506,376	1,506,376	-	-
Trade Payables to Related Parties	44,719	44,719	-	-
	12,924,879	3,590,152	8,857,084	2,420,982
Derivative Financial Liabilities				
Forward currency contracts	45,274	18,945	26,329	-
Interest rate swaps	37,098	-	37,098	-
	82,372	18,945	63,427	-

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

Market Risk:

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

Commission Rate Risk:

Commission Rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha), International Finance Corporation facility

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FINANCIAL INSTRUMENTS (Continued...)

and other banking facilities of Non-GCC subsidiaries and Sukuk amounting to SAR 5,162.2 million at 31 December 2017 (31 December 2016: SAR 5,043.4 million, 01 January 2016: SAR 7,138.0 million) bear variable financing commission charges at the prevailing market rates.

The Group's policy is to manage its financing charges using a mix of fixed and variable commission rate debts. The policy is to keep 50% to 60% of its borrowings at fixed commission. The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, with all other variables held constant. There is no direct impact on the Group's equity.

		Increase / decrease in basis points of commission rates	Effect on income for the year SAR'000
31 December 2017	SAR	+100	(51,622)
	SAR	-100	51,622
31 December 2016	SAR	+100	(50,434)
	SAR	-100	50,434
01 January 2016	SAR	+100	(71,380)
	SAR	-100	71,380

Commodity Price Risk:

Commodity Price Risk is the risk that is associated with changes in prices to certain commodities that the Group is exposed to and its unfavourable effect on the Group's costs and cash flow. This commodity price risk arises from forecasted purchases of certain commodities that the Group uses as raw material, which is managed and mitigated by entering into commodity derivatives.

Currency Risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in Argentina Pesos ("ARS"), Kuwaiti Dinar ("KWD"), Egyptian Pounds ("EGP"), Euro ("EUR"), Great British Pounds ("GBP"), United State Dollars ("USD"), Bahraini Dinar ("BHD") and Jordanian Dinars ("JOD"). The Group's management believes that their exposure to currency risk is limited as the Group's currency, the Bahraini Dinar ("BHD") and the JOD are pegged to USD. The fluctuation in exchange rates against ARS, KWD, EGP, Euro and GBP are monitored on a continuous basis. Quantitative data regarding the Group's exposure to currency risk arising from currencies that are not pegged to USD is as follows:

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	ARS	KWD	EGP	EUR	GBP	Total
	SAR	SAR	SAR	SAR	SAR	SAR
	'000	'000	'000	'000	'000	'000
31 December 2017						
Cash at Bank	9,710	29,067	-	8,652	1,288	48,717
Cash in Hand	2,487	2,652	709	94	65	6,007
Trade Receivables	2,254	97,165	64,805	-	-	164,224
Short term Borrowings	(39,462)	-	(163,406)	-	-	(202,868)
Long Term Borrowings	(28,206)	-	-	-	-	(28,206)
Trade Payables	(8,388)	(4,171)	-	(206,595)	(8,219)	(227,373)
Net Statement of Financial Position exposure	(61,605)	124,713	(97,892)	(197,849)	(6,866)	(239,499)
31 December 2016						
Cash at Bank	3,110	52,224	3,798	13,662	5,384	78,178
Cash in Hand	4	996	4,055	52	60	5,167
Trade Receivables	9,830	98,473	30,067	-	-	138,370
Short term Borrowings	(70,200)	-	(141,875)	-	-	(212,075)
Long Term Borrowings	(88,868)	-	-	-	-	(88,868)
Trade Payables	(14,530)	(2,430)	-	(163,107)	(13,428)	(193,495)
Net Statement of Financial Position exposure	(160,654)	149,263	(103,955)	(149,393)	(7,984)	(272,723)
01 January 2016						
Cash at Bank	8,922	211,228	26,201	36,064	1,405	283,820
Cash in Hand	19	5,476	5,359	45	87	10,986
Trade Receivables	8,200	85,553	36,058	-	-	129,811
Short term Borrowings	(57,854)	-	(61,509)	-	-	(119,363)
Long Term Borrowings	(17,463)	-	-	-	-	(17,463)
Trade Payables	(12,291)	(1,463)	-	(106,177)	(28,447)	(148,378)
Net Statement of Financial Position exposure	(70,467)	300,794	6,109	(70,068)	(26,955)	139,413

The Group uses forward currency contracts to eliminate significant currency exposures. Management believe that the currency risk for inventory and capital expenditure purchases is adequately managed primarily through entering into foreign currency forward purchase agreements. It is the Group's policy to enter into forward contracts based on the underlying exposure available from the group's business plan/commitment with the suppliers. The forward purchase agreements are secured by promissory notes given by the Group.

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FINANCIAL INSTRUMENTS (Continued...)

A strengthening / (weakening) of the ARS, EGP, EUR and GBP by 10% against all other currencies would have affected the measurement of financial instruments denominated in foreign currency and would have increased / (decreased) equity by the amounts shown below:

	31 December 2017	31 December 2016	01 January 2016
	SAR '000	SAR '000	SAR '000
ARS	(6,161)	(16,065)	(7,047)
KWD	12,471	14,926	30,079
EGP	(9,789)	(10,396)	611
EUR	(19,785)	(14,939)	(7,007)
GBP	(687)	(798)	(2,696)
	(23,951)	(27,272)	13,940

Capital Management:

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

- i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii) to provide an adequate return to shareholders.

36. EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK

As stated in note 2.1, these Consolidated Financial Statements, for the year ended 31 December 2017, are the Group's first annual Consolidated Financial Statements prepared in accordance with IFRS as endorsed in KSA. Further, the Group's opening Consolidated Statement of Financial Position was prepared as at 01 January 2016, being the date of transition to IFRS.

Note 36.1 to 36.6 set out an explanation of how the transition to IFRS has affected the previously reported Consolidated Statement of Financial Position as at December 31, 2016 and January 01, 2016, and Consolidated Statements of Profit or Loss and Other Comprehensive Income of the Group for the year ended December 31, 2016, including the nature and effect of significant changes in accounting policies from those used in the Group's annual Consolidated Financial Statements, under SOCPA, for the year ended December 31, 2016.

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EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued...)

36.1. Reconciliation of the Statement Of Financial Position

		As at 31 December 2016			As at 01 January 2016		
		Effect of			Effect of		
		SOCPA Standards	transition to IFRS as endorsed in KSA	IFRS as endorsed in KSA	SOCPA Standards	transition to IFRS as endorsed in KSA	IFRS as endorsed in KSA
Notes		SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
ASSETS							
Non-Current Assets							
Property, Plant and Equipment	36.6 (a, g)	21,138,370	6,223	21,144,593	18,696,071	(53,784)	18,642,287
Intangible Assets and Goodwill	36.6 (g)	930,725	109,374	1,040,099	1,009,077	132,200	1,141,277
Biological Assets	36.6 (a)	1,292,302	(20,877)	1,271,425	1,227,815	(41,309)	1,186,506
Investments in Associates and Joint Ventures	36.6 (h)	-	96,612	96,612	-	94,177	94,177
Investments	36.6 (h)	199,484	(96,612)	102,872	198,414	(94,177)	104,237
Prepayments		132,867	-	132,867	72,426	-	72,426
Deferred Tax Assets		13,875	-	13,875	1,156	-	1,156
Derivative Financial Instruments		10,257	-	10,257	11,089	-	11,089
		23,717,880	94,720	23,812,600	21,216,048	37,107	21,253,155
Current Assets							
Inventories	36.6 (a, c)	3,168,687	(166,356)	3,002,331	2,835,663	(147,022)	2,688,641
Biological Assets	36.6 (c)	-	96,442	96,442	-	116,379	116,379
Trade Receivables, Prepayments and Other Receivables	36.6 (d, ff)	1,401,793	146,891	1,548,684	1,277,110	69,281	1,346,391
Derivatives Financial Instruments		4,680	-	4,680	3,438	-	3,438
Cash and Bank Balances		729,700	-	729,700	2,038,776	-	2,038,776
		5,304,860	76,977	5,381,837	6,154,987	38,638	6,193,625
TOTAL ASSETS		29,022,740	171,697	29,194,437	27,371,035	75,745	27,446,780
EQUITY AND LIABILITIES							
Equity							
Share Capital		8,000,000	-	8,000,000	6,000,000	-	6,000,000
Statutory Reserve		1,630,190	-	1,630,190	1,422,141	-	1,422,141
Treasury Shares		(378,994)	-	(378,994)	(330,699)	-	(330,699)
Other Reserves		(711,996)	-	(711,996)	(392,636)	-	(392,636)
Retained Earnings	36.6 (a, c, e, ff)	2,796,393	21,626	2,818,019	3,659,639	(32,952)	3,626,687
Equity Attributable to Shareholders		11,335,593	21,626	11,357,219	10,358,445	(32,952)	10,325,493
Perpetual Sukuk		1,700,000	-	1,700,000	1,700,000	-	1,700,000
Equity Attributable to Equity Holders of the Company		13,035,593	21,626	13,057,219	12,058,445	(32,952)	12,025,493
Non-Controlling Interest		421,250	-	421,250	559,783	-	559,783
TOTAL EQUITY		13,456,843	21,626	13,478,469	12,618,228	(32,952)	12,585,276
Non-Current Liabilities							
Loans and Borrowings	36.6 (d)	10,134,730	(6,387)	10,128,343	9,343,435	(8,708)	9,334,727
Employee Benefits	36.6 (e)	540,143	33,836	573,979	472,186	55,014	527,200
Derivative Financial Instruments		41,212	-	41,212	63,427	-	63,427
Deferred Tax Liabilities		56,492	-	56,492	67,123	-	67,123
		10,772,577	27,449	10,800,026	9,946,171	46,306	9,992,477
Current Liabilities							
Bank Overdraft		165,620	-	165,620	217,647	-	217,647
Loans and Borrowings		1,318,796	-	1,318,796	1,821,410	-	1,821,410
Zakat and Income Tax Payable	36.6 (i)	-	214,902	214,902	-	146,190	146,190
Trade and Other Payables	36.6 (ff, i)	3,206,804	(92,280)	3,114,524	2,730,153	(83,799)	2,646,354
Derivative Financial Instruments		102,100	-	102,100	37,426	-	37,426
		4,793,320	122,622	4,915,942	4,806,636	62,391	4,869,027
TOTAL LIABILITIES		15,565,897	150,071	15,715,968	14,752,807	108,697	14,861,504
TOTAL LIABILITIES AND EQUITY		29,022,740	171,697	29,194,437	27,371,035	75,745	27,446,780

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EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued...)

36.2. Reconciliation of Equity

	Notes	As at 31 December 2016	As at 01 January 2016 (date of transition)
		SAR '000	SAR '000
Total Equity under SOCPA Standards		13,456,843	12,618,228
Bearer Plants recognition as Property, Plant and Equipment	36.6 (a)	19,759	(13,831)
Fair value adjustment of Crops	36.6 (c)	5,047	20,295
Actuarial Valuation Charge	36.6 (e)	(33,836)	(55,014)
Government grants	36.6 (ff)	30,656	15,598
Total Equity under IFRS as endorsed in KSA		13,478,469	12,585,276

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EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued...)

36.3. Reconciliation of Consolidated Statement of Profit or Loss

		For the year ended 31 December 2016		
	Notes	SOCPA Standards	Effect of transition to IFRS as endorsed in KSA	IFRS as endorsed in KSA
		SAR '000	SAR '000	SAR '000
Revenue	36.6 (f)	14,698,662	(360,083)	14,338,579
Cost of Sales	36.6 (b, c, e, ff)	(8,865,050)	48,958	(8,816,092)
Gross Profit		5,833,612	(311,125)	5,522,487
Selling and Distribution Expenses	36.6 (e, f)	(2,855,658)	375,297	(2,480,361)
General and Administration Expenses	36.6 (e)	(436,078)	3,129	(432,949)
Other Expenses , net		(91,398)	-	(91,398)
Operating Profit		2,450,478	67,301	2,517,779
Exchange Gain		44,676	-	44,676
Finance Cost, net		(351,336)	-	(351,336)
Share of Results of Associates and Joint Ventures		13,323	-	13,323
Profit before Zakat and Income Tax		2,157,141	67,301	2,224,442
Zakat and Foreign Income Tax		(74,345)	-	(74,345)
Profit for the year		2,082,796	67,301	2,150,097

36.4. Reconciliation of Consolidated Statement of Comprehensive Income

Profit for the period		2,082,796	67,301	2,150,097
Items that will not be reclassified to profit or loss:				
Actuarial Loss on End of Service Benefit	36.6 (e)	-	(12,723)	(12,723)
Items that may be reclassified subsequently to profit or loss:				
Foreign Currency Translation Differences		-	(514,707)	(514,707)
Movement in Fair Value on Cash Flow Hedges		-	(62,378)	(62,378)
Settlement of Cash Flow Hedges transferred to Profit or Loss			20,330	20,330
Movement in Fair Value of Available for Sale Investments		-	(1,365)	(1,365)
Share of Other Comprehensive Income of Associates		-	(10,388)	(10,388)
Other Comprehensive Income for the year		-	(581,231)	(581,231)
Total Comprehensive Income for the year		2,082,796	(513,930)	1,568,866

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EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued...)

36.5. Reconciliation of Profit

		For the year ended 31 December 2016	
	Notes	Profit before zakat and tax	Profit for the year
		SAR '000	SAR '000
As per SOCPA Standards		2,157,141	2,082,796
Loss arising from changes in Fair Value less cost to sell	36.6 (c)	(15,248)	(15,248)
Restatement of Bearer Plants	36.6 (b)	33,590	33,590
Actuarial Valuation Charge	36.6 (e)	33,901	33,901
Government grants	36.6 (ff)	15,058	15,058
Total adjustment to Profit or Loss		67,301	67,301
Profit or Loss as per IFRS as endorsed in KSA		2,224,442	2,150,097
Other Comprehensive Income		(581,231)	(581,231)
Total Comprehensive Income as per IFRS as endorsed in KSA		1,643,211	1,568,866

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EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued...)

36.6. Index to the notes to the reconciliations

Changes due to transition from SOCPA to IFRS as endorsed in KSA:

- a. Bearer Plants
- b. Adjustment for maintenance costs on bearer plants and related agricultural produce
- c. Reclassification and re-measurement of Biological Assets
- d. Capitalisation of Sukuk Issuance costs
- e. Employee Benefits
- f. Trade discounts and rebates
- ff. Government Grants

Changes due to presentation enhancement and reclassification:

- g. Intangible Assets
- h. Investments in Associates and Joint ventures
- i. Zakat and Income Tax

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EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued...)

Changes due to Transition from SOCPA to IFRS as endorsed in KSA:

a. Bearer Plants

Under SOCPA standards, the bearer plants were classified as biological assets and inventory. IFRS require bearer plants to be classified under Property, plant and equipment. Consequently, the costs, accumulated depreciation and capital work in process have been reclassified accordingly.

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Property, Plant and Equipment:		
Mature plantations – costs	101,075	49,465
Mature plantations – accumulated depreciation	(51,361)	(8,417)
Immature plantations	65,883	37,368
	<u>115,597</u>	<u>78,416</u>
Biological Assets:		
Mature plantations - costs	(48,284)	(47,108)
Mature plantations - accumulated depreciation	29,508	8,417
Immature plantations	(2,101)	(2,618)
	<u>(20,877)</u>	<u>(41,309)</u>
Inventories:		
Bearer plants (Alfalfa)	(74,961)	(50,938)
Adjustment to Retained Earnings - increase / (decrease)		
(Refer 36.6 b)	<u><u>19,759</u></u>	<u><u>(13,831)</u></u>

b. Adjustment for maintenance costs on bearer plants and related agricultural produce

Under SOCPA Standards, Alfalfa bearer plants were classified as inventory (Refer 37.5 a). Under IFRS, these bearer plants have been reclassified from inventories to Property, plant and equipment. Subsequent to harvest, the agricultural produce from these bearer plants is accounted for as inventories at fair value. Additionally, the biological transformation between maturity of an Alfalfa plant and subsequent harvests is insignificant, therefore costs incurred on the bearer plants during the period are not capitalised and treated as maintenance costs.

The impact arising from the change is summarised as follows:

Consolidated Statement of Profit or Loss:

	31 December 2016
	SAR '000
Cost of Sales:	
Gain on recording of maintenance cost and agricultural produce - net	33,590
Adjustment to Profit for the year - increase	<u><u>33,590</u></u>

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EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued...)

c. Reclassification and re-measurement of Biological assets

Under SOCPA Standards, standing crops and broiler birds were classified as work in process - inventories. IFRS require living animals and plants, other than bearer plants to be classified as Biological Assets. Consequently, crops and other poultry have been reclassified from Inventories to Biological Assets. Further, IFRS require biological assets to be measured at fair value less cost to sell unless where quoted market prices are not available and for which alternative fair value measurements are determined to be clearly unreliable, biological asset shall be measured at its cost less any accumulated depreciation and accumulated impairment losses, if any. On the transition date, all the biological assets owned by the Group, other than crops in Argentina, are carried at cost less accumulated depreciation and impairment losses, since quoted market prices for these biological assets are not available and any alternative fair value measurements are assessed to be clearly unreliable.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Biological Assets:		
Crops – measured at cost	2,983	3,399
Crops – measured at fair value	37,861	50,437
Other Poultry	55,598	62,543
	<u>96,442</u>	<u>116,379</u>
Inventories:		
Work in Process	(91,395)	(96,084)
Adjustment to Retained Earnings - increase	<u><u>5,047</u></u>	<u><u>20,295</u></u>

Consolidated Statement of Profit or Loss:

	31 December 2016
	SAR '000
Cost of Sales:	
Fair Value Adjustments of Crops	(15,248)
Adjustment to Profit for the year - decrease	<u><u>(15,248)</u></u>

d. Capitalisation of Sukuk Issuance costs

The Group issued Sukuks and incurred certain issuance costs. Under SOCPA Standards, these costs have been recorded as Prepayments. IFRS require issuance costs to be net off against the liability in respect of which these costs were incurred. The respective costs have been reclassified to be net off against Long Term Borrowings.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Long Term Borrowings:		
Sukuk issuance costs	6,387	8,708
Trade Receivables, Prepayments and Other Receivables:		
Prepayments	(6,387)	(8,708)

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EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued...)

e. Employee Benefits

Under SOCPA Standards, the Group recorded its liability under Employee Benefit based on regulatory requirements. In order to determine the liability under IFRS, the Group performed detailed actuarial valuation of its Employee Benefits. Consequently, reduction of expense for the period has been reversed from profit or loss for the period.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
End of Service Benefit		
Decrease / (Increase) in liability – current year	21,178	(55,014)
Increase in liability – prior year	(55,014)	-
Adjustment to Retained Earnings - decrease	(33,836)	(55,014)

Consolidated Statement of Comprehensive Income:

	31 December 2016
	SAR '000
Cost of Sales:	
Current service costs and interest costs	15,558
Selling and Distribution Expenses:	
Current service costs and interest costs	15,214
General and Administrative Expenses:	
Current service costs and interest costs	3,129
Adjustment to profit for the year - increase	33,901
Actuarial losses on End of Service Benefit	(12,723)
Adjustment to Comprehensive Income for the year - increase	21,178

f. Trade discounts and rebates

Under SOCPA Standards, trade discounts and rebates are presented as Selling and Distribution Expenses. IFRS require trade discounts and rebates to be presented as a deduction against revenue. Consequently reclassification has been made to the Consolidated Statement of Profit or Loss.

The impact arising from the change is summarised as follows:

Consolidated Statement of Profit or Loss:

	31 December 2016
	SAR '000
Revenue:	
Trade discounts and rebates	(360,083)
Selling and Distribution Expenses:	
Trade discounts and rebates	360,083
Adjustment to profit for the year	-

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EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued...)

ff. Government Grants

As reported in the financial statements of year ended 31 December 2016 government grants have been recognised when it was virtually certain that the grant will be received from the state authority. On implementing IFRS, the Group reassessed its Government Grant recognition policy and concluded to recognise it within other liabilities at fair value when there is reasonable assurance that it will be received and the Group will comply with the conditions associated with the grant. Government Grants are recognised in the consolidated statement of profit or loss on a systematic basis over the periods in which the Group recognises as expense the related inventories for which the grants are intended to compensate.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Trade Receivables, Prepayments and Other Receivables		
Government Grants	153,278	77,989
Trade and Other Payables		
Other Payables	122,622	62,391
Adjustment to Retained Earnings	30,656	15,598

Consolidated Statement of Profit or Loss:

	31 December 2016
	SAR '000
Cost of Sales:	
Government Grants	15,058
Adjustment to Profit for the year - increase	15,058

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EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued...)

Changes due to Presentation Enhancements and Reclassification:

g. Intangible Assets

Software Licenses have been reclassified from Property, Plant and Equipment to be presented under Intangible Assets for fair presentation.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Intangible Assets:		
Software Licenses – costs	170,020	117,116
Software Licenses – accumulated depreciation	(95,399)	(66,780)
Software Licenses under progress	34,753	81,864
	<u>109,374</u>	<u>132,200</u>
Property, Plant and Equipment:		
Software Licenses – costs	(170,020)	(117,116)
Software Licenses – accumulated depreciation	95,399	66,780
Software Licenses under progress	(34,753)	(81,864)
	<u>(109,374)</u>	<u>(132,200)</u>
Adjustment to Retained Earnings	<u>-</u>	<u>-</u>

h. Investments in Associates and Joint Ventures

Under SOCPA Standards, Investment in Associates and Joint Ventures was presented under the caption of Investments. IFRS require investments in associates to be presented separately from other investments on the statement of financial position.

The impact arising from the change is summarised as follows:

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	SAR '000	SAR '000
Investment in Associates and Joint Ventures	96,612	94,177
Investments	(96,612)	(94,177)
Adjustment to Retained Earnings	<u>-</u>	<u>-</u>

i. Zakat and Income Tax

Under SOCPA Standards, Zakat and income tax liability is presented under Trade and other payables. For the purpose of presentation enhancement, Zakat and Income Tax liability is now presented separately on the Statement of Financial Position.

The impact arising from the change is summarised as follows:

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EFFECT OF CHANGE IN FINANCIAL REPORTING FRAMEWORK (Continued...)

Consolidated Statement of Financial Position:

	31 December 2016	01 January 2016
	<u>SAR '000</u>	<u>SAR '000</u>
Zakat and Income Tax payable	214,902	146,190
Trade and Other Payables	(214,902)	(146,190)
Adjustment to Retained Earnings	<u>-</u>	<u>-</u>

36.7. Exemptions Applied

IFRS 1 "First-Time Adoption of International Financial Reporting Standards" as endorsed by SOCPA allows first-time adopter certain exemptions from the retrospective application of certain IFRS as endorsed in KSA.

The Group has applied the following exemptions:

- (a) IFRS 3 "Business Combinations" as endorsed by SOCPA has not been applied to acquisitions of subsidiaries, which are considered businesses for IFRS, or of interests in associates and joint ventures that occurred before 1 January 2016. Use of this exemption means that the carrying amounts of assets and liabilities under SOCPA Standards, which are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS Statement of Financial Position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements. IFRS 1 as endorsed by SOCPA also requires that the carrying amount of goodwill under SOCPA Standards must be used in the opening IFRS Statement of Financial Position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1 as endorsed by SOCPA, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 01 January 2016.
- (b) The Group has not applied IAS 21 "The Effects of Changes in Foreign Exchange Rates" as endorsed by SOCPA retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to IFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the Parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the Parent or are non-monetary foreign currency items and no further translation differences occur.

37. DIVIDEND APPROVED AND PAID

On 28 Jumada Thani 1438 A.H. (26 March 2017) the Extraordinary General Assembly Meeting approved a dividend of SAR 720.0 million (SAR 0.90 per share) for the year ended 31 December 2016 out of which SAR 717.9 million was paid on 16 Rajab 1438 A.H. (12 April 2017).

38. DIVIDEND PROPOSED

The Board of Directors have proposed, for shareholder's approval at the General Assembly Meeting, a dividend of SAR 750.0 million (SAR 0.75 per share) for the year ended 31 December 2017.

39. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the yearend that would have a material impact on the financial position of the Group as reflected in these Consolidated Financial Statements.

40. BOARD OF DIRECTORS APPROVAL

These Consolidated Financial Statements were approved by the Board of Directors on 04 Jumada Al-Awwal 1439 A.H. (21 January 2018).