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

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

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

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

Report on the audit of the consolidated financial statements

Our opinion

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

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

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

Our audit approach

Overview

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

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

Our audit approach (continued)

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

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

Key audit matters

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

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

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

Other information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

April 23, 2018

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

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

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

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

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

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

The notes from 1 to 28 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Ian David Gowlett
Chief Financial Officer

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

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

The notes from 1 to 28 form part of these consolidated financial statements.

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

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

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

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

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Ian David Gowlett
Chief Financial Officer

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

	Note	Year ended March 31, 2018	2017
Cash flow from operating activities			
Profit before zakat		280,799	325,130
Adjustments for:			
Depreciation on property, plant and equipment	12	65,403	63,466
Gain on disposal of property, plant and equipment	12	(369)	(915)
Provision for slow moving and obsolete inventories	13	3,126	5,410
Provision for doubtful accounts	14	2,925	3,111
Provision for employee benefit obligations	22	14,230	13,575
		366,014	409,777
Working capital			
Inventories		(29,598)	54,281
Trade and other receivables		2,164	6,283
Deposits, advances, prepayments and other assets		(19,395)	(2,178)
Trade and other payables		45,182	32,076
Accruals and other liabilities		13,446	34,967
Due to a related party		(868)	1,108
Cash flow from operating activities		376,945	536,314
Employee benefit obligations paid	22	(14,850)	(8,392)
Zakat paid	18	(20,731)	(16,615)
Net cash inflow from operating activities		341,364	511,307
Cash flow from investing activities			
Purchase of property, plant and equipment	12	(130,604)	(84,760)
Sale proceeds from disposal of property, plant and equipment	12	487	1,408
Net cash outflow from investing activities		(130,117)	(83,352)
Cash flow from financing activities			
Dividend paid to owners of SADAFCO	26	(195,000)	(130,000)
Dividends paid to non-controlling interests in subsidiaries		(648)	(558)
Cash outflow from financing activities		(195,648)	(130,558)
Net change in cash and cash equivalents		15,599	297,397
Effects of exchange rate fluctuations on cash and cash equivalents		(414)	233
Cash and cash equivalents at the beginning of year		543,914	246,284
Cash and cash equivalents at the end of year		559,099	543,914

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General Information

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

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

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

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

2.1 Basis of preparation

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

For all periods up to and including the year ended March 31, 2017 the Group has prepared and presented statutory consolidated financial statements in accordance with the generally accepted accounting standards in KSA issued by the Saudi Organization for Certified Public Accountants (SOCPA) (“previous GAAP”) and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of these consolidated financial statements.

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

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

2.2 Standards, interpretations and amendments issued but not yet effective

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

Impact of standards / interpretations on consolidated financial statements

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

2.3 Critical accounting estimates and judgments

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

Estimates and assumptions

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

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

(i) Useful lives of property, plant and equipment

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

(ii) Defined benefit plan

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

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

3 Summary of significant accounting policies

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

3.1 Principles of Consolidation

Subsidiary companies

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

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

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

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

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

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

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

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

3.2 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

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

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

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

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

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

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

3.3 Segment reporting

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

3.4 Revenue recognition

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

Sale of goods

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

Finance income

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

3.5 Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

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

3.6 Dividends distribution

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

3.7 Property, plant and equipment

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

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

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

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

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

3.8 Leases

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

Group as a lessee

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

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

3.9 Investments and other financial assets

a) Financial Assets

(i) Classification

The Group classifies its financial assets as loans and receivables.

(ii) Reclassification

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

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

(iii) Recognition and derecognition

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

(iv) Measurement

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

(v) Impairment

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

Assets carried at amortised cost

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

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

b) Financial Liabilities

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

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

3.10 Inventories

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

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

3.11 Cash and cash equivalents

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

3.12 Trade and other receivables

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

3.13 Zakat and income tax

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

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

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

3.14 Employee benefit obligations

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

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

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

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

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

3.15 Trade and other payables

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

3.16 Provisions

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

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

3.17 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

(ii) Diluted earnings per share

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

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

3.18 Statutory reserve

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

3.19 Other reserves

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

3.20 Selling, distribution, general and administrative expenses

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

3.21 Reclassification

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

4. First time adoption of IFRS

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

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

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. First time adoption of IFRS (continued)

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. First time adoption of IFRS (continued)

4.2 Reconciliation of consolidated equity as at March 31, 2017

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. First time adoption of IFRS (continued)

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

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. First time adoption of IFRS (continued)

4.5 Obligations relating to employees defined benefits plan

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

4.6 Director remuneration

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

4.7 Statement of cash flows

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

5 Group information

The consolidated financial statements of the Group includes:

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

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

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

6 Segment information

6.1 Operating Segment

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Segment information (continued)

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

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

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

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

The management has categorized its geographical operations as follows:

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

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

6.2 Adjustments

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Segment information (continued)

6.3 Reconciliation of profit

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

7 Capital management

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

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

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

8 Cost of revenue

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

9 Selling and distribution expenses

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

10 General and administrative expenses

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

11 Earnings per share

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

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

12 Property, plant and equipment

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Property, plant and equipment (continued)

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

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

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

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Inventories

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

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

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

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

14 Trade and other receivables

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

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

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

The ageing of unimpaired trade receivables, is as follows:

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 Deposits, advances, prepayments and other assets

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

16 Cash and cash equivalents

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

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

17 Capital and reserves

17.1 Authorized capital

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

17.2 Statutory reserve

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

17.3 Other reserves

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

18 Zakat

18.1 Charge for the year

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

18.2 Movements in provision during the year

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

18.3 Status of assessments

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

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

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

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

19 Trade and other payables

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

20 Accruals and other liabilities

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 Related party transactions and balances

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

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

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

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

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

Terms and conditions of transactions with related parties

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

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

Compensation of key management personnel of the Group

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

22 Employee benefit obligations

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

Net benefit expense recognised in the consolidated statement of comprehensive income

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

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

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

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

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

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

Discount rate:

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

Salary escalation rate:

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

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

23 Financial Instruments

23.1 Financial assets

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

Trade and other receivables

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

23.2 Financial liabilities

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

24 Financial instruments risk management objective and policies

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

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

Market risk

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

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

i) Interest rate risk

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

ii) Currency risk

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

iii) Credit risk

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

(a) Trade receivables

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

(b) Cash and cash equivalents

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

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

iv) Liquidity risk

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

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

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

25 Commitments and contingencies

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

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

(c) Operating lease

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

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

26 Dividends

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