

**SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

31 DECEMBER 2016

**LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF SAUDIA DAIRY AND
FOODSTUFF COMPANY (SADAFCO) (A SAUDI JOINT STOCK COMPANY)
ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Scope of review

We have reviewed the accompanying consolidated balance sheet of Saudia Dairy and Foodstuff Company - a Saudi Joint Stock Company - ("SADAFCO" or "the Parent Company") and its subsidiaries (collectively referred to as "the Group") as at 31 December 2016 and the related consolidated statement of income for the three-month and nine-month periods then ended, and the related consolidated statements of cash flows and changes in shareholders' equity for the nine-month period then ended. These interim consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Saudi Organisation for Certified Public Accountants' Standard on interim financial reporting. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our limited review, we are not aware of any material modifications that should be made to the accompanying interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

for Ernst & Young


Ahmed I. Reda
Certified Public Accountant
Licence No. 356



14 Rabi' II 1438 H
12 January 2017

Jeddah

17/345/AIR

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

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 December 2016

	Note	2016 (SR'000)	2015 (SR'000)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	431,713	226,040
Accounts receivable	5	176,421	184,129
Deposits, prepayments and other current assets		16,866	23,187
Inventories		340,080	361,638
TOTAL CURRENT ASSETS		965,080	794,994
NON-CURRENT ASSETS			
Investments		243	243
Property, plant and equipment	6	581,503	579,760
TOTAL NON-CURRENT ASSETS		581,746	580,003
TOTAL ASSETS		1,546,826	1,374,997
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		91,792	126,187
Accruals and other current liabilities		135,370	126,797
Due to related parties	7	-	37
Accrued zakat and income tax	8	18,260	12,251
Dividend payable	10	2,433	2,293
TOTAL CURRENT LIABILITIES		247,855	267,565
NON-CURRENT LIABILITY			
Employees' end of service benefits		110,119	93,763
TOTAL LIABILITIES		357,974	361,328
SHAREHOLDERS' EQUITY			
Equity attributable to shareholders of the Parent Company			
Share capital		325,000	325,000
Statutory reserve		162,500	162,500
Voluntary reserve		174,514	143,746
Foreign currency translation and other adjustments		(941)	(1,119)
Retained earnings		526,388	382,269
Total equity attributable to the shareholders of the Parent Company		1,187,461	1,012,396
Non-controlling interests		1,391	1,273
TOTAL SHAREHOLDERS' EQUITY		1,188,852	1,013,669
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,546,826	1,374,997


Mussad Abdullah Al Nassar
Member Board of Directors


Waltherus Cornelis Petrus Matthejs
Chief Executive Officer


Syed Fahim Hassan Hamdani
Group Accounting Manager

The attached notes from 1 to 14 form part of these unaudited interim consolidated financial statements

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three-month and nine-month periods ended 31 December 2016

		For the three-month period ended 31 December		For the nine-month period ended 31 December	
	Note	2016 (SR'000)	2015 (SR 000)	2016 (SR'000)	2015 (SR'000)
Sales – net		457,059	496,123	1,410,489	1,498,727
Cost of sales		(277,108)	(324,232)	(833,844)	(980,892)
GROSS PROFIT		179,951	171,891	576,645	517,835
EXPENSES					
Selling and marketing		(88,719)	(75,660)	(270,866)	(254,882)
General and administration		(19,049)	(24,163)	(68,064)	(70,570)
		(107,768)	(99,823)	(338,930)	(325,452)
INCOME FROM MAIN OPERATIONS		72,183	72,068	237,715	192,383
Other income / (expenses), net		2,926	42	3,562	(165)
Financial income / (charges), net		2,246	27	5,114	(527)
NET INCOME BEFORE ZAKAT AND INCOME TAX		77,355	72,137	246,391	191,691
Zakat and income tax	8	(8,608)	(3,833)	(18,000)	(10,833)
NET INCOME FOR THE PERIOD		68,747	68,304	228,391	180,858
Attributable to:					
Equity shareholders of the Parent Company		68,569	68,132	227,805	180,331
Non-controlling interests		178	172	586	527
NET INCOME FOR THE PERIOD		68,747	68,304	228,391	180,858
Earnings per share:					
Income from main operations (in SR per share)	9	2.22	2.22	7.31	5.92
Net income (in SR per share)	9	2.12	2.10	7.03	5.56
Net income attributable to equity shareholders of the Parent Company (in SR per share)	9	2.11	2.10	7.01	5.55


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Chief Executive Officer



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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-month period ended 31 December 2016

	Note	2016 (SR'000)	2015 (SR'000)
OPERATING ACTIVITIES			
Net income for the period		228,391	180,858
Adjustments for:			
Depreciation		56,778	62,880
Gain on disposal of property, plant and equipment		(939)	(923)
Provision for doubtful accounts		2,887	922
Provision for slow moving and obsolete inventories		5,388	-
Provision for employees' end of service benefits		14,688	13,668
		<u>307,193</u>	<u>257,405</u>
Changes in operating assets and liabilities:			
Accounts receivable		(8,116)	(12,943)
Deposits, prepayments and other current assets		(2,404)	2,538
Inventories		35,652	(8,920)
Accounts payable		24,488	17,318
Due to related parties		-	(900)
Accrued zakat, accruals and other current liabilities		26,869	75,074
		<u>383,682</u>	<u>329,572</u>
Cash from operations			
Employees' end of service benefits paid		(4,991)	(3,673)
Net cash from operating activities		<u>378,691</u>	<u>325,899</u>
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		1,397	1,011
Purchases of property, plant and equipment	6	(61,536)	(50,874)
Net cash used in investing activities		<u>(60,139)</u>	<u>(49,863)</u>
FINANCING ACTIVITIES			
Dividend paid			
Board of directors remuneration paid	10	(130,000)	(113,750)
Non-controlling interests		(2,800)	(1,400)
		(560)	(479)
Net cash used in financing activities		<u>(133,360)</u>	<u>(115,629)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		<u>185,192</u>	<u>160,407</u>
Effect of exchange rate fluctuations on cash and cash equivalents		237	(792)
Cash and cash equivalents at the beginning of the period		246,284	66,425
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>431,713</u>	<u>226,040</u>


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Chief Executive Officer


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Group Accounting Manager

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the nine-month period ended 31 December 2016

	<i>Attributable to equity shareholders of parent</i>						
	<i>Foreign currency translation and other adjustments</i>			<i>Non-controlling interests</i>			
	<i>Capital reserve (SR'000)</i>	<i>Statutory reserve (SR'000)</i>	<i>Voluntary reserve (SR'000)</i>	<i>Retained earnings (SR'000)</i>	<i>Total (SR'000)</i>	<i>Total (SR'000)</i>	<i>Total (SR'000)</i>
Balance at 31 March 2015 (audited)	325,000	162,500	125,713	(327)	335,121	948,007	1,225
Net income for the period	-	-	-	-	180,331	180,331	527
Dividend paid (Note 10)	-	-	-	-	(113,750)	(113,750)	-
Board of directors' remuneration	-	-	-	-	(1,400)	(1,400)	-
Transfer to reserves	-	-	18,033	-	(18,033)	-	-
Foreign currency translation and other adjustments	-	-	-	(792)	-	(792)	(479)
Balance as at 31 December 2015 (unaudited)	325,000	162,500	143,746	(1,119)	382,269	1,012,396	1,273
Balance at 31 March 2016 (audited)	325,000	162,500	151,734	(1,178)	454,163	1,092,219	1,365
Net income for the period	-	-	-	-	227,805	227,805	586
Dividend paid (note 10)	-	-	-	-	(130,000)	(130,000)	-
Board of directors' remuneration	-	-	-	-	(2,800)	(2,800)	-
Transfer to reserve	-	-	22,780	-	(22,780)	-	-
Foreign currency translation and other adjustments	-	-	-	237	-	237	(560)
Balance as at 31 December 2016 (unaudited)	325,000	162,500	174,514	(941)	526,388	1,187,461	1,391
							1,188,852

Musad Abdullah Al Nassar
Member Board of Directors

Walthemus Cornelis Petrus M. M. M.
Chief Executive Officer

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Group Accounting Manager

The attached notes from 1 to 14 form part of these unaudited interim consolidated financial statements.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) At 31 December 2016

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudia Dairy and Foodstuff Company ("SADAFCO") (the "Parent Company") is a Saudi Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030009917 dated 21 Rabi Al-Akhar 1396H, corresponding to 21 April 1976. The Company and its subsidiaries (as listed below), collectively described as the "Group" in these interim consolidated financial statements, are primarily engaged in the production and distribution of dairy products, beverages and various foodstuff in the Kingdom of Saudi Arabia and certain Gulf and Arab countries.

At 31 December 2016, the Company has investments in the following subsidiaries:

<i>Name</i>	<i>Principal activities</i>	<i>Country of incorporation</i>	<i>SADAFCO's beneficial interest</i>
SADAFCO Bahrain Company SPC	Foodstuff and dairy products	Bahrain	100%
SADAFCO Jordan Foodstuff Company LLC	Foodstuff and dairy products	Jordan	100%
National Buildings Real Estate Company*^	Real estate	Kingdom of Saudi Arabia	100%
United Gulfers Logistics Company*^	Logistics	Kingdom of Saudi Arabia	100%
National Sight Holding Company*^	Investment company	Kingdom of Saudi Arabia	100%
SADAFCO Qatar Company	Foodstuff and dairy products	Qatar	75%
SADAFCO Kuwait Foodstuff Co. W.L.L	Foodstuff and dairy products	Kuwait	49%

The percentage of beneficial interest has not changed from the prior period.

*The general assembly of the subsidiaries have approved the liquidation of the Companies at the Extraordinary General Assembly meeting held on 19 July 2016 and legal procedures of liquidation are under process. These subsidiaries are not significant to the consolidated financial statements.

^ Part of the investments are beneficially held through parties nominated by the Company.

2. BASIS OF PREPARATION

(a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Standard for Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (SOCPA). These interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 March 2016.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

At 31 December 2016

2. BASIS OF PREPARATION (continued)

(b) Basis of measurement

These interim consolidated financial statements are prepared under the historical cost basis (except for investments and derivative financial instruments which are stated at fair values), using the accrual basis of accounting and the going concern concept.

(c) Functional and presentation currency

These interim consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency. All financial information presented in SR has been rounded to the nearest thousand unless it is mentioned otherwise.

(d) Use of estimates and judgments

The preparation of interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant areas where management has used estimates, assumptions or exercised judgments are as follows:

(i) Impairment of available for sale investments

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

(ii) Impairment of non-financial assets

The Group assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

At 31 December 2016

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments (continued)

(ii) Impairment of non-financial assets (continued)

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.

(iii) Provision for impairment of trade receivables

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

(iv) Provision for slow moving inventory items

The Group makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of period.

(v) 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 adjusted where the management believes the useful lives differ from the previous estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies used by the Group for the preparation of these interim consolidated financial statements are consistent with those used for the preparation of the annual consolidated financial statements.

Basis of consolidation

These interim consolidated financial statements include the interim consolidated financial statements of the Parent Company and its subsidiaries set forth in Note 1.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

At 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The interim financial statements of subsidiaries are included in the interim consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Parent Company and the subsidiaries are eliminated in preparing these interim consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidation. The attributable equity interest of third parties in the Group is included under the non-controlling interests caption in these interim consolidated financial statements.

Accounts receivable

Accounts receivables are stated at original invoice amount less provisions made for amounts which in the opinion of the management may not be received. Bad debts are written off when identified.

Available for sale investments

Investments which are neither bought with the intention of being held to maturity nor for trading purposes are classified as available for sale and are stated at fair value and included under current assets unless they are not intended to be sold in the next fiscal year. Securities for which related fair value cannot be instantly determined there are other indicators through which the market value can be objectively determined, accordingly, these are non-instantly available securities. Thus, if the fair value is not available in the aforementioned form, the cost will be the most appropriate, objective and reliable measurement of the fair value of the securities. Changes in the fair value are credited or charged to the interim consolidated statement of changes in shareholders' equity. However, any non-temporary decline in value is charged to the interim consolidated statement of income. Fair value is determined by reference to the market value.

Dividend income is recognised when the right to receive the dividend is established.

Property, plant and equipment and depreciation

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

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 interim consolidated statement of income when incurred.

Depreciation is charged to the interim consolidated statement of income on a straight-line basis over the estimated useful lives of individual item of property, plant and equipment.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

At 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Property, plant and equipment are depreciated at the following annual rates:

	<u>%</u>
Buildings	2.5-10
Machinery and equipment	10-33
Vehicles and trailers	15-25
Furniture, fixtures and office equipment	10-25

Revenue recognition

Sales are recognized when products are delivered or shipped to customers and when risks and rewards are transferred. Sales represent the invoiced value of the goods supplied during the period, net of discounts and returns.

Commission income on short term deposits is recognized on accrual basis.

Inventories

Inventories are valued at the lower of cost (determined principally by using the standard cost method but adjusted to approximate the respective actual 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. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Zakat and income tax

The Parent Company is subject to the Regulations of the General Authority of Zakat and Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat and income tax are determined based on effective ownership interest reflected in the register of shareholders in the capital market at the end of the period. Zakat and income tax estimates are provided on an accruals basis and charged to the interim consolidated statement of income. The zakat charge is computed at 2.5% on the zakat base or adjusted net income, whichever is higher while income tax relating to the non-Saudi ownership has been provided for based on share of assessable profit at 20%. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with labour regulations of the countries of incorporation of the Group member companies, are accrued and charged to interim consolidated statement of income.

Expenses

Selling and distribution expenses are those arising from the Group's efforts underlying their marketing, selling and distribution functions. All other expenses are classified as general and administration expenses.

Operating lease

Rentals payable under operating leases are recognized in the interim consolidated statement of income on a straight-line basis over the terms of the leases.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

At 31 December 2016

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting

Financial assets and liabilities are offset and the net amount reported in the interim consolidated balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liabilities simultaneously. Income and expense are not offset in the interim consolidated statement of income unless required or permitted by the generally accepted accounting principles in the Kingdom of Saudi Arabia.

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Saudi Arabian Riyals (for the Parent Company) or the relevant currencies (for subsidiaries) at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the interim consolidated statement of income.

Exchange difference, arising from the translation of foreign currency financial statements of subsidiaries are allocated to the shareholders of the Parent Company and non-controlling shareholders in proportion to their ownership interests in the investee companies. SADAFCO's share in exchange difference is recorded as a separate component of shareholders' equity, whereas amounts relating to the non-controlling shareholders are included under non-controlling interests in the interim consolidated balance sheet.

Derivative financial instruments

The Group uses interest rate swaps to strategically hedge its risk against interest rate movements and thus hedge accounting is not followed. The interest rate swaps are included in the interim consolidated balance sheet at fair value and any resultant gain or loss is recognized in the interim consolidated statement of income. The fair values of interest rate swaps are included in "other receivables" in case of favourable contracts and "other payables" in case of unfavourable contracts.

Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise cash and cheques in hand, balance with current accounts with banks, funds placed for investment and short-term bank deposits having an original maturity within 90 days.

Provisions

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

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

At 31 December 2016

4 CASH AND CASH EQUIVALENTS

	<i>2016</i> <i>(SR'000)</i>	<i>2015</i> <i>(SR'000)</i>
Cash in hand	12,924	8,417
Balances with banks - current accounts	29,479	67,623
Murabaha short-term deposits with banks	389,310	150,000
	<u>431,713</u>	<u>226,040</u>

5 ACCOUNTS RECEIVABLE

	<i>2016</i> <i>(SR'000)</i>	<i>2015</i> <i>(SR'000)</i>
Trade receivables	160,196	192,539
Less: Provision for doubtful accounts	(17,334)	(19,045)
Net trade receivables	<u>142,862</u>	<u>173,494</u>
Net advances and other receivables	32,721	10,542
Due from related parties (note 7)	838	93
	<u>176,421</u>	<u>184,129</u>

6 PROPERTY, PLANT AND EQUIPMENT

- (a) The ownership interest of the Parent Company in certain freehold land held in Madinah amounting to SR 1,538 thousand (31 December 2015: SR 1,538 thousand) is through a shareholder of the Parent Company. The Company holds legal documents confirming its beneficial interest.
- (b) The additions during the period amounting to SR 61,536 thousand (31 December 2015: SR 50,874 thousand), mainly represent purchase of machinery for factories, sales depot, distribution vehicles and lease rights of industrial land.

7 RELATED PARTY TRANSACTIONS AND BALANCES

- (a) Transactions with related parties were undertaken in the ordinary course of business at commercial terms and were approved by the management.
- (b) In addition to the disclosures set out in notes 1, 5 and 6, significant related party transactions for the period ended 31 December and balances arising there from are described as under:

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)
At 31 December 2016

7 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Related parties	Nature of transactions	Amount of transactions		Due from / (to) related parties	
		2016 (SR'000)	2015 (SR'000)	2016 (SR'000)	2015 (SR'000)
Affiliates	Purchase of goods and services*	(9,853)	(9,781)	838	56
	Net settlement against the purchase of goods and services	10,691	8,155	-	-
				<u>838</u>	<u>56</u>
Affiliates	Current account	-	(2,526)	-	93

*These transactions mainly represent the insurance premium paid to Burj Cooperative Insurance Company.

8 ZAKAT AND INCOME TAX

Zakat assessments for the years up to and including 1996 have been finalised with the General Authority for Zakat and Tax (GAZT).

The GAZT raised final assessments for the years 1997 through 2002 with an additional Zakat liability of SR 8,254 thousand. Board of Grievance (BOG) rendered its decision in favour of the GAZT. The Company has filed a review petition against BOG decision. Pending resolution of the case, the assessed amount has been paid "under protest".

The GAZT raised final assessments for the years 2003 and 2004 with an additional Zakat liability of SR 5,135 thousand. The Company's appeal against the Higher Appeal Committee (HAC) decision is awaiting review by the BOG. SADAFCO has submitted a bank guarantee with the GAZT amounting to SR 5,382 thousand for years 2003 and 2004. The GAZT has encashed the bank guarantee.

The GAZT raised assessments for the years ended 31 March 2005 through 31 March 2007 with an additional Zakat liability of SR 4,742 thousand. The HAC has issued its decision on the Company's appeal against the Preliminary Appeal Committee (PAC). Based on HAC's decision, the assessed liability will reduce to SR 3,550 thousands, approximately. The Company has filed an appeal against HAC's decision with the BOG. The Company has lodged a bank guarantee with the GAZT for SR 4,576 thousands and paid SR 166 thousand "under protest". The GAZT has issued revised assessment based on HAC decision with an additional Zakat liability of SR 4,426 thousands. The Company has submitted a letter with the GAZT requesting them to correct errors in revised assessment. During the quarter, the BOG rendered its decision in favour of the GAZT. The Company intends to file an appeal against the BOG decision.

The GAZT raised final assessments for the years ended 31 March 2008 through 31 March 2011 with an additional assessment liability of SR 9,235 thousand. PAC has rendered its decision on the Company's appeal against the GAZT's additional assessment. The Company has filed an appeal with HAC against PAC's decision. In addition, the Company has lodged a bank guarantee with the GAZT for SR 5,270 thousands and paid SR 1,846 thousand "under protest". The GAZT issued revised assessment based on PAC decision with an additional Zakat liability of SR 4,027 thousands. The Company has submitted a letter with the GAZT requesting them to correct errors in revised assessment.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)

At 31 December 2016

8 ZAKAT AND INCOME TAX (continued)

The GAZT has not yet raised assessments for the years 2012 through 2016.

9 EARNINGS PER SHARE

Earnings per share on income from main operations are calculated by dividing the income from main operations by the weighted average number of ordinary shares in issue during the period.

Earnings per share on net income are calculated by dividing the net income by the weighted average number of ordinary shares in issue during the period.

Earnings per share attributable to equity holders of the Parent Company are calculated by dividing the net income attributable to equity shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period.

The weighted average number of ordinary shares outstanding during the nine-month period ended 31 December 2016 was 32.5 million (31 December 2015: 32.5 million) shares of SR 10 each. The calculation of diluted earnings per share is not applicable to the Group.

10 DIVIDEND

In the Annual General Assembly meeting of the Parent Company held on 1 June 2016, the shareholders authorized a dividend of SR 4 per share (31 December 2015: SR 3.5 per share) amounting to SR 130,000 thousand (31 December 2015: SR 113,750 thousand) and paid during June 2016.

11 SEGMENT INFORMATION

As the Group's business activities primarily fall within a single business and geographical segment, no additional disclosure is provided under segment reporting.

12 COMMITMENTS AND CONTINGENCIES

- (a) At 31 December 2016, the Group has outstanding commitments for future capital expenditures amounting to SR 61,363 thousand (31 December 2015: SR 54,020 thousand).
- (b) As at 31 December 2016, the Group has contingent liabilities of SR10,094 thousand (31 December 2015: SR 9,924 thousand) in respect of guarantees issued by the Parent Company's bankers mainly to the General Authority of Zakat and Tax (Note 8).

13 APPROVAL OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These interim consolidated financial statements were authorized for issue by the Board of Directors on 12 January 2017, corresponding to 14 Rabi' II 1438 H.

14 COMPARATIVE FIGURES

Certain of the prior period amounts have been reclassified to conform to the presentation in the current period.