

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED JUNE 30, 2017
AND REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTHS PERIOD ENDED JUNE 30, 2017

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

July 30, 2017

To the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO):
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudia Dairy & Foodstuff Company (the Company or SADAFCO, together with its subsidiaries referred to as the "Group") as of June 30, 2017 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.


Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

By: 
Mufaddal A. Ali
License Number 447




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

		Three months period ended June 30,	
	Note	2017 (Unaudited)	2016 (Unaudited)
Revenue – net	4	452,830	475,738
Cost of revenue		(277,647)	(283,495)
Gross profit		175,183	192,243
Selling and distribution expenses		(69,436)	(80,111)
General and administrative expenses		(25,009)	(26,707)
Other operating expenses		(808)	(259)
Operating profit		79,930	85,166
Finance income		1,654	1,218
Profit before zakat		81,584	86,384
Zakat	11	(4,348)	(5,016)
Profit for the period		77,236	81,368
Profit is attributable to:			
Owners of SADAFCO		77,072	81,148
Non-controlling interests		164	220
		77,236	81,368
Earnings per share:			
Basic and dilutive earnings per share attributable (Saudi Riyals) to owners of SADAFCO	6	2.37	2.50

The notes from 1 to 19 form part of these condensed consolidated interim financial statements.



Mussad Abdullah Al Nassar
Member Board of Directors



Waltherus Cornelis Petrus Matthijs
Chief Executive Officer



Srirama Chandran Venkata
Chief Financial Officer

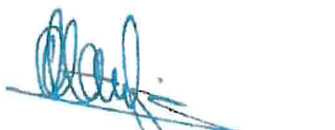
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Three months period ended June 30,	
	2017 (Unaudited)	2016 (Unaudited)
Profit for the period	77,236	81,368
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange difference on translation of foreign operations	(170)	(128)
<i>Items that will not be reclassified to profit or loss</i>		
Re-measurement gain on employees' benefit obligation	-	1,821
Other comprehensive income for the period	(170)	1,693
Total comprehensive income for the period	77,066	83,061
Total comprehensive income for the period is attributable to:		
Owners of SADAFCO	76,955	83,412
Non-controlling interests	111	(351)
	77,066	83,061

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Mussad Abdullah Al Nassar
Member Board of Directors



Waltherus Cornelis Petrus Matthijs
Chief Executive Officer





Srirama Chandran Venkata
Chief Financial Officer


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

		June 30, 2017	March 31, 2017	April 1, 2016
	Note	(Unaudited)	(Unaudited)	(Unaudited)
Assets				
Non-current assets				
Property, plant and equipment	7	606,687	598,004	577,203
Available-for-sale investments		243	243	243
		<u>606,930</u>	<u>598,247</u>	<u>577,446</u>
Current assets				
Inventories	8	339,648	321,429	381,120
Trade and other receivables	9	180,630	161,798	171,192
Deposits, prepayments and other assets	10	11,999	16,640	14,462
Cash and cash equivalents		<u>505,096</u>	<u>543,914</u>	<u>246,284</u>
		<u>1,037,373</u>	<u>1,043,761</u>	<u>813,058</u>
Total assets		<u>1,644,303</u>	<u>1,642,028</u>	<u>1,390,504</u>
Equity and liabilities				
Equity				
Issued share and paid up capital		325,000	325,000	325,000
Statutory reserve		162,500	162,500	162,500
Other reserves		189,542	181,835	151,734
Retained earnings		532,075	592,710	444,650
Foreign currency translation reserves		(1,062)	(945)	(1,178)
Equity attributable to owners of SADAFCO		<u>1,208,055</u>	<u>1,261,100</u>	<u>1,082,706</u>
Non-controlling interests		1,032	1,569	1,365
Total equity		<u>1,209,087</u>	<u>1,262,669</u>	<u>1,084,071</u>
Non-current liability				
Employees' benefit obligations	12	<u>106,764</u>	<u>107,835</u>	<u>109,935</u>
Current liabilities				
Trade and other payables	13	119,338	99,380	67,304
Accruals and other liabilities		<u>182,588</u>	<u>150,359</u>	<u>112,592</u>
Due to related party		1,501	1,108	-
Accrued zakat		<u>25,025</u>	<u>20,677</u>	<u>16,602</u>
		<u>328,452</u>	<u>271,524</u>	<u>196,498</u>
Total liabilities		<u>435,216</u>	<u>379,359</u>	<u>306,433</u>
Total equity and liabilities		<u>1,644,303</u>	<u>1,642,028</u>	<u>1,390,504</u>

The notes from 1 to 19 form part of these condensed consolidated interim financial statements.


Mussad Abdullah Al Nassar
Member Board of Directors


Waltherus Cornelis Petrus Matthijs
Chief Executive Officer


Srirama Chandran Venkata
Chief Financial Officer

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

	Attributable to owners of SADAFECO					Non-controlling interests	Total equity
	Issued and paid up capital	Statutory reserve	Other reserves	Retained earnings	Foreign currency translation reserve		
Balance at April 1, 2016 (unaudited)	325,000	162,500	151,734	444,650	(1,178)	1,365	1,084,071
Net profit	-	-	-	81,148	-	220	81,368
Other comprehensive income	-	-	-	1,821	443	(571)	1,693
Total comprehensive income	325,000	162,500	151,734	527,619	(735)	1,014	1,167,132
Dividend declared (note 18)	-	-	-	(130,000)	-	-	(130,000)
Transfer to voluntary reserve	-	-	8,594	(8,594)	-	-	-
Balance at June 30, 2016 (unaudited)	325,000	162,500	160,328	389,025	(735)	1,014	1,037,132
Balance at April 1, 2017 (unaudited)	325,000	162,500	181,835	592,710	(945)	1,569	1,262,669
Net profit	-	-	-	77,072	-	164	77,236
Other comprehensive income	-	-	-	-	(117)	(53)	(170)
Total comprehensive income	325,000	162,500	181,835	669,782	(1,062)	1,680	1,339,735
Dividend declared (note 18)	-	-	-	(130,000)	-	(648)	(130,648)
Transfer to voluntary reserve	-	-	7,707	(7,707)	-	-	-
Balance at June 30, 2017 (unaudited)	325,000	162,500	189,542	532,075	(1,062)	1,032	1,209,087

The notes from 1 to 19 form part of these condensed consolidated interim financial statements.

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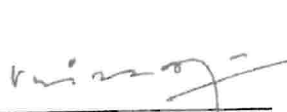
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated Interim statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Three months period ended June 30,	
		2017 (Unaudited)	2016 (Unaudited)
Cash flow from operating activities			
Profit before zakat		81,584	86,384
Adjustments for:			
Depreciation on property, plant and equipment	4	16,139	18,996
Gain on disposal of property, plant and equipment		(101)	-
Provision for doubtful accounts	9	238	2,808
Provision for slow moving and obsolete inventories		-	4,397
Provision for employees' benefit obligations	12	3,012	5,283
		<u>100,872</u>	<u>117,868</u>
Working capital			
Inventories		(18,219)	36,186
Trade and other receivables		(19,070)	(25,244)
Deposits, prepayments and other assets		4,641	3,341
Trade and other payables		19,958	10,561
Due to related party		393	-
Accruals and other liabilities		<u>32,229</u>	<u>16,958</u>
		<u>120,804</u>	<u>159,670</u>
Employees' benefit obligations paid	12	(4,083)	(1,627)
Net cash flows generated from operating activities		<u>116,721</u>	<u>158,043</u>
Cash flow from investing activities			
Purchase of property, plant and equipment	7	(24,825)	(33,645)
Sale proceeds from disposal of property, plant and equipment		104	-
Net cash flow used in investing activities		<u>(24,721)</u>	<u>(33,645)</u>
Cash flow from financing activities			
Dividends paid to owners of SADAFCO		(130,000)	(130,000)
Dividends paid to non-controlling interests		(701)	(791)
Net cash flow used in financing activities		<u>(130,701)</u>	<u>(130,791)</u>
Net decrease in cash and cash equivalents		(38,701)	(6,393)
Effect of exchange rate fluctuations on cash and cash equivalents		(117)	443
Cash and cash equivalents at the beginning of period		<u>543,914</u>	<u>246,284</u>
Cash and cash equivalents at the end of period		<u>505,096</u>	<u>240,334</u>

The notes from 1 to 19 form part of these consolidated interim financial statements.


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Member Board of Directors


Waltherus Cornelis Petrus Matthijs
Chief Executive Officer


Srirama Chandran Venkata
Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**

(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 incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and industry's resolution number 27 dated Muharam 2 ,1438H (October 4, 2016) and under Commercial Registration number 4030009917 issued in Jeddah dated Rabi Al-Akhar 21,1396H (April 22,1976).

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 interim condensed consolidated financial statements.

2. Basis of preparation and change in the group's accounting policy**2.1 Basis of preparation**

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed by the Saudi Organization for Certified Public Accountants (SOCPA) and applicable in the Kingdom of Saudi Arabia.

For all periods up to and including the period ended March 31, 2017, the Group prepared its condensed consolidated interim financial statements in accordance with local Generally Accepted Accounting Principles (GAAP) as issued by SOCPA ("previous GAAP"). These interim condensed consolidated financial statements are the first general purpose interim condensed consolidated financial statements the Group has prepared in accordance with IFRS as applicable in the Kingdom of Saudi Arabia. Refer to Note 3 for information on how the Company has adopted IFRS as applicable in the Kingdom of Saudi Arabia.

The interim condensed consolidated financial statements have been prepared on a historical cost basis (except for available for sale investment which are stated at fair values). The interim condensed consolidated financial statements are presented in Saudi Riyals being the functional currency of the Company and all values are rounded to nearest thousand except otherwise indicated.

2.2. Standards, interpretations and amendments issued but not yet effective

Since the Company has adopted IFRS effective April 1, 2016 as endorsed by SOCPA in the kingdom of Saudi Arabia, all amendments / interpretations as applicable to the Company are considered until such date. The Company has not elected to early adopt any 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 condensed interim financial information are disclosed below. The Company 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
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

The Group is currently assessing the implications of adopting the above mentioned standards on the Group's condensed consolidated interim financial statements.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**(All amounts in Saudi Riyals thousands unless otherwise stated)

2.3. 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 loses control of the subsidiary. Assets, liabilities income and expenses of a subsidiary acquired or disposed of during the period are included in the interim condensed 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 of the Group 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 condensed consolidated interim statement of profit or loss.

2.4. Summary of significant accounting policies

The following are the significant accounting policies applied by the Group in preparing its condensed consolidated interim financial statements:

a) 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.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**(All amounts in Saudi Riyals thousands unless otherwise stated)

2.4. Summary of significant accounting policies (continued)

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 interim condensed 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 interim condensed 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.

b) 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.

c) 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.

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.

d) Foreign currencies

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.

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their condensed consolidated interim statement of profit or loss are translated at average exchange rates. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in condensed consolidated statement of profit or loss.

e) Dividends

The Group recognizes a liability to make cash or non-cash distributions to Owners of SADAFCO when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws of Kingdom of Saudi Arabia, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**(All amounts in Saudi Riyals thousands unless otherwise stated)

2.4. Summary of significant accounting policies (continued)**f) 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 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 income when incurred.

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

	<u>%</u>
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 income statement 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.

g) 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 condensed consolidated statement of profit or loss on a straight-line basis over the period of the lease.

h) Investments and other financial assets**(i) Classification**

The group classifies its financial assets in the following categories:

- loans and receivables, and
- available-for-sale financial assets.

(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.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**(All amounts in Saudi Riyals thousands unless otherwise stated)

2.4. Summary of significant accounting policies (continued)

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 are sold, the accumulated fair value adjustments recognised in condensed consolidated interim statement of comprehensive income are reclassified to condensed consolidated statement of profit or loss as gains and losses from investment securities.

(iv) Measurement

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

Available-for-sale financial assets are subsequently carried at fair value. The gains or losses arising from changes in the fair value are recognised in condensed consolidated interim statement of comprehensive income.

Dividends on available-for-sale equity instruments are recognised in condensed consolidated statement of profit or loss as part of revenue from continuing operations when the group's right to receive payments is established.

(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. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

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 condensed consolidated interim 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 condensed consolidated interim statement of profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in condensed consolidated statement of profit or loss – is removed from equity and recognised in the condensed consolidated interim statement of profit or loss.

Impairment losses on equity instruments that were recognised in condensed consolidated interim statement of profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in condensed consolidated interim statement of profit or loss, the impairment loss is reversed through condensed consolidated interim statement of profit or loss.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**(All amounts in Saudi Riyals thousands unless otherwise stated)

2.4. Summary of significant accounting policies (continued)**i) 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 weighted average costs. 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.

j) Cash and cash equivalents

Cash and cash equivalents in interim condensed 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 interim condensed 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.

k) Trade and other receivables

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

l) 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 shareholder. Provisions for zakat are charged to the condensed consolidated interim statement of profit and loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

Zakat and income tax expense are recognized in each interim period based on the best estimate of the annual zakat and income tax expected for the full financial year. Amounts accrued for zakat and income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual zakat and income tax changes.

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.

m) Employees' 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 condensed consolidated interim statement of comprehensive income. Such actuarial gains and losses are also immediately recognized in retained earnings and are not reclassified to condensed consolidated interim statement of profit or loss in subsequent periods.

Past service costs are recognized in condensed consolidated interim 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', 'administration expenses' and 'selling and distribution expenses' in the condensed consolidated interim 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.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**(All amounts in Saudi Riyals thousands unless otherwise stated)

2.4. Summary of significant accounting policies (continued)**n) 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.

o) Provisions

Provisions for legal claims, service warranties and make 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.

p) Earnings per share**(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company
- 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.

q) Statutory reserve

In accordance with Company's bye laws, the Company is required to transfer at least 10% of net income for the year to a statutory reserve until such reserve equals 30% of paid-up capital. This having been achieved, accordingly, the Company has resolved to discontinue such transfers. This reserve is not available for distribution.

r) Voluntary reserves (other reserves)

In accordance with Company's bye laws, the shareholders decided to create a voluntary reserve by the transfer of 10% of the net income attributable to equity shareholders of the Parent Company 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.

s) Reclassification

In prior periods, certain revenue related rebates which should have been presented as a reduction in revenue were instead reclassified as selling and distribution expenses and therefore have been reclassified in these financial statements. For the three months period ended June 30, 2016 the reclassification amounts to Saudi Riyals 15.16 million and for the year ended March 31, 2017 it amounts to Saudi Riyals 53.63 million. Further, few immaterial reclassifications are made in general and administrative expenses.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**(All amounts in Saudi Riyals thousands unless otherwise stated)

3. First time adoption of IFRS

The condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed by Saudi Organization for Certified Public Accountants (SOCPA) and applicable in the Kingdom of Saudi Arabia. For periods up to and including the year ended 31 March 2017, the Group prepared its interim condensed consolidated financial statements in accordance with the previous GAAP as issued by SOCPA.

Accordingly, the Group has prepared financial interim condensed consolidated statements that comply with IFRS applicable as at June 30, 2017, together with the comparative period, as described in the summary of significant accounting policies. In preparing the interim condensed financial statements, the Group's opening 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 financial statements, including the 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 property, plant and equipment has been carried forward at the date of transition.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were same at June 30, 2017. Further, these are consistent with those made in accordance with previous GAAP. The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at June 30, 2017.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. First time adoption of IFRS (continued)**3.1 Reconciliation of consolidated equity as at April 1, 2016 (date of transition to IFRS)**

	Note	SOCPA	Re-measurements	As at April 1, 2016
Assets				
Non-current assets				
Property, plant and equipment		577,203	-	577,203
Available for sale Investments		243	-	243
		<u>577,446</u>	<u>-</u>	<u>577,446</u>
Current assets				
Inventories		381,120	-	381,120
Trade and other receivables		171,192	-	171,192
Deposits, prepayments and other assets		14,462	-	14,462
Cash and cash equivalents		246,284	-	246,284
		<u>813,058</u>	<u>-</u>	<u>813,058</u>
Total assets		<u>1,390,504</u>	<u>-</u>	<u>1,390,504</u>
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
Retained earnings		454,163	(9,513)	444,650
Foreign currency translation reserves		(1,178)	-	(1,178)
		<u>1,092,219</u>	<u>(9,513)</u>	<u>1,082,706</u>
Equity attributable to the owners of SADAFCO		<u>1,092,219</u>	<u>(9,513)</u>	<u>1,082,706</u>
Non-controlling interests		1,365	-	1,365
		<u>1,093,584</u>	<u>(9,513)</u>	<u>1,084,071</u>
Total equity		<u>1,093,584</u>	<u>(9,513)</u>	<u>1,084,071</u>
Non-current liability				
Employees' benefit obligations	3.8	100,422	9,513	109,935
Current liabilities				
Trade and other payables		67,304	-	67,304
Accruals and other liabilities		112,592	-	112,592
Accrued zakat		16,602	-	16,602
		<u>196,498</u>	<u>-</u>	<u>196,498</u>
Total liabilities		<u>296,920</u>	<u>9,513</u>	<u>306,433</u>
Total equity and liabilities		<u>1,390,504</u>	<u>-</u>	<u>1,390,504</u>

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. First time adoption of IFRS (continued)**3.2 Reconciliation of consolidated equity as at June 30, 2016**

	Note	SOCPA	Re-measurements	As at June 30, 2016
Assets				
Non-current assets				
Property, plant and equipment		591,853	-	591,853
Investments		243	-	243
		<u>592,096</u>	<u>-</u>	<u>592,096</u>
Current assets				
Inventories		340,537	-	340,537
Trade and other receivables		193,628	-	193,628
Deposits, prepayments and other assets		11,121	-	11,121
Cash and cash equivalents		240,334	-	240,334
		<u>785,620</u>	<u>-</u>	<u>785,620</u>
Total assets		<u>1,377,716</u>	<u>-</u>	<u>1,377,716</u>
Equity and liabilities				
Equity				
Issued share and paid up capital		325,000	-	325,000
Statutory reserve		162,500	-	162,500
Voluntary reserve		160,328	-	160,328
Retained earnings		398,714	(9,689)	389,025
Foreign currency translation reserves		(735)	-	(735)
		<u>1,045,807</u>	<u>(9,689)</u>	<u>1,036,118</u>
Equity attributable to the owners of SADAFCO		<u>1,045,807</u>	<u>(9,689)</u>	<u>1,036,118</u>
Non-controlling interests		1,014	-	1,014
		<u>1,046,821</u>	<u>(9,689)</u>	<u>1,037,132</u>
Total equity		<u>1,046,821</u>	<u>(9,689)</u>	<u>1,037,132</u>
Non-current liability				
Employees benefit obligations	3.8	104,078	9,689	113,767
Current liabilities				
Trade and other payables		77,865	-	77,865
Accruals and other liabilities		127,334	-	127,334
Accrued zakat		21,618	-	21,618
		<u>226,817</u>	<u>-</u>	<u>226,817</u>
Total liabilities		<u>330,895</u>	<u>9,689</u>	<u>340,584</u>
Total equity and liabilities		<u>1,377,716</u>	<u>-</u>	<u>1,377,716</u>

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. First time adoption of IFRS (continued)**3.3 Reconciliation of consolidated equity as at March 31, 2017**

	Note	SOCPA	Re-measurements	As at March 31, 2017
Assets				
Non-current assets				
Property, plant and equipment		598,004	-	598,004
Investments		243	-	243
		<u>598,247</u>	<u>-</u>	<u>598,247</u>
Current assets				
Inventories		321,429	-	321,429
Trade and other receivables		161,798	-	161,798
Deposits, prepayments and other assets		16,640	-	16,640
Cash and cash equivalents		543,914	-	543,914
		<u>1,043,781</u>	<u>-</u>	<u>1,043,781</u>
Total assets		<u>1,642,028</u>	<u>-</u>	<u>1,642,028</u>
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
Retained earnings		592,273	437	592,710
Foreign currency translation reserves		(945)	-	(945)
Equity attributable to the owners of SADAFCO		1,260,663	437	1,261,100
Non-controlling interests		<u>1,569</u>	<u>-</u>	<u>1,569</u>
Total equity		1,262,232	437	1,262,669
Non-current liability				
Employees' benefit obligations	3.8	<u>111,072</u>	<u>(3,237)</u>	<u>107,835</u>
Current liabilities				
Trade and other payables		99,380	-	99,380
Accruals and other liabilities		147,559	2,800	150,359
Due to a related party		1,108	-	1,108
Accrued zakat		20,677	-	20,677
		<u>268,724</u>	<u>2,800</u>	<u>271,524</u>
Total liabilities		379,796	(437)	379,359
Total equity and liabilities		<u>1,642,028</u>	<u>-</u>	<u>1,642,028</u>

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. First time adoption of IFRS (continued)**3.4 Reconciliation of condensed consolidated interim statement of profit and loss statement for the three month period ended June 30, 2016**

	Note	SOCPA	Re-measurement	IFRS period ended June 30, 2016
Revenue - net		475,738	-	475,738
Cost of revenue		(283,495)	-	(283,495)
Gross profit		192,243	-	192,243
Selling and distribution expenses	3.8	(78,114)	(1,997)	(80,111)
General and administrative expenses	3.9	(23,907)	(2,800)	(26,707)
Other operating expenses		(259)	-	(259)
Operating profit		89,963	(4,797)	85,166
Finance income		1,218	-	1,218
Profit before zakat		91,181	(4,797)	86,384
Zakat		(5,016)	-	(5,016)
Profit for the period		86,165	(4,797)	81,368
Profit is attributable to:				
Owners of SADAFCO		85,945	(4,797)	81,148
Non-controlling interests		220	-	220
		86,165	(4,797)	81,368
Earnings per share:				
Basic and diluted earnings per share (Saudi Riyals) attributable to owners of SADAFCO		2.64	-	2.50

3.5 Reconciliation of condensed consolidated interim statement of comprehensive income for the three month ended June 30, 2016

	Note	SOCPA	Re-measurement	IFRS period ended June 30, 2016
Profit for the period		86,165	(4,797)	81,368
Other comprehensive income				
<u>Items that may be reclassified to profit or loss</u>				
Exchange difference on translation of foreign operations		(128)	-	(128)
<u>Items that will not to be reclassified to profit or loss</u>				
Re-measurement gain on employees' benefit obligation	3.8	-	1,821	1,821
Other comprehensive income for the period		(128)	1,821	1,693
Total comprehensive income for the period		86,037	(2,976)	83,061
Total comprehensive income for the period is attributable to:				
Owners of SADAFCO		85,817	(2,405)	83,412
Non-controlling interests		220	(571)	(351)
		86,037	(2,976)	83,061

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. First time adoption of IFRS (continued)
3.6 Reconciliation of consolidated statement of profit and loss statement for the year ended March 31, 2017

	Note	SOCPA	Re-measurement	IFRS year ended March 31, 2017
Revenue - net		1,804,109	-	1,804,109
Cost of revenue		(1,096,589)	-	(1,096,589)
Gross profit		707,520	-	707,520
Selling and distribution expenses	3.8	(306,822)	5,467	(301,355)
General and administrative expenses	3.9	(90,604)	(2,800)	(93,404)
Other operating expenses		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 period		301,773	2,667	304,440
Profit is attributable to:				
Owners of SADAFCO		301,011	-	303,678
Non-controlling interests		762	-	762
		301,773	-	304,440
Earnings per share:				
Basic and diluted earnings per share (Saudi Riyals) attributable to owners of SADAFCO		9.26	-	9.34

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

	Note	SOCPA	Re-measurement	IFRS year ended March 31, 2017
Profit for the period		301,773	2,667	304,440
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Exchange difference on translation of foreign operations		233	-	233
<i>Items that will not to be reclassified to profit or loss</i>				
Re-measurement gain on employees' benefit obligation	3.8	-	7,283	7,283
Other comprehensive income for the period		233	7,283	7,516
Total comprehensive income for the period		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

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. First time adoption of IFRS (continued)**3.8 Obligations relating to employees defined benefits plan**

Under SOCPA, the Group recognized costs related to its post-employment benefits as 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 condensed interim statement of profit or loss and comprehensive income in the subsequent periods i.e. 2016 and 2017.

3.9 Director remuneration

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

3.10 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.

4. Segment information**4.1 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.

June 30, 2017	Drinks	Non-drinks	Unallocated	Total
Revenue - net	285,146	167,684	-	452,830
Profit before zakat	60,001	21,583	-	81,584
Depreciation	10,016	6,123	-	16,139
Property, plant and equipment	396,906	209,781	-	606,687
Current assets	-	-	1,037,373	1,037,373
Available-for-sale investment	-	-	243	243
Total assets	396,906	209,781	1,037,616	1,644,303
Current liabilities	-	-	328,452	328,452
Long-term liabilities	-	-	106,764	106,764
Total liabilities			435,216	435,216
June 30, 2016	Drinks	Non-drinks	Unallocated	Total
Revenue - net	311,948	163,790	-	475,738
Profit before zakat	75,480	10,904	-	86,384
Depreciation	11,791	7,205	-	18,996
Property, plant and equipment	385,074	206,779	-	591,853
Current assets	-	-	785,620	785,620
Available-for-sale investment	-	-	243	243
Total assets	385,074	206,779	785,863	1,377,716
Current liabilities	-	-	226,817	226,817
Long-term liabilities	-	-	113,767	113,767
Total liabilities			340,584	340,584

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. Segment information (continued)

The management has categorized its geographical operations as follows:

	2017	2016
Geographic information		
Revenue from external customers		
Kingdom of Saudi Arabia	423,633	444,939
Gulf Cooperation Council (GCC countries)	22,437	25,446
Others	6,760	5,353
Total	452,830	475,738
	2017	2016
Non-current operating assets		
Kingdom of Saudi Arabia	595,846	578,309
Gulf Cooperation Council (GCC countries)	9,287	11,489
Others	1,797	2,298
Total	606,930	592,096

4.2 Adjustments

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

4.3 Reconciliation of profit

	June 30, 2017 (Unaudited)	June 30, 2016 (Unaudited)
Profit before zakat	81,584	86,384
Zakat	(4,348)	(5,016)
Profit after zakat	77,236	81,368

5. Group Information

The interim condensed consolidated financial statements of the Group includes:

Name	Principal activities	Country of incorporation	% equity interest June 30, 2017 March 31, 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.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. Earnings per share

The basic and dilutive EPS is computed as follows:

	Three-months period ended June 30,	
	2017	2016
Profit attributable to owners of SADAFCO	77,072	81,148
Weighted average number of ordinary shares outstanding	32,500	32,500
Basic and dilutive earning per share	2.37	2.50

7. Property plant and equipment

- (a) The ownership interest of the Group in certain freehold land held in Madinah amounting to Saudi Riyals 1.54 million (2016: Saudi Riyals 1.54 million) is through a shareholder of the Group. The Group holds legal documents confirming its beneficial interest.
- (b) The additions during the period amounting to Saudi Riyals 24.82 million (2016: Saudi Riyals 33.64 million), mainly represent purchase of machinery for Dammam / Jeddah factories which are under commissioning and for Jeddah central warehouse and depots.
- (c) The management 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 as a result useful lives are changed from 10 years to a range of 8 to 15 years. These revisions resulted in a higher net profit for three months period ended June 30, 2017 and an increase in the retained earnings as at June 30, 2017 amounting to Saudi Riyals 3 million. The net impact of aforesaid revisions on the net profit for the year ended March 31, 2017 and retained earnings as at March 31, 2017 is nil.

8. Inventories

	June 30, 2017	March 31, 2017
Raw materials	196,910	184,652
Packing materials	36,557	34,281
Finished goods	59,820	64,807
Spare parts, supplies and other items	11,726	22,503
Goods-in-transit	41,225	33,960
	346,238	340,203
Less: Provision for slow moving and obsolete inventories (see below)	(6,590)	(18,774)
	339,648	321,429

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

	June 30, 2017	March 31, 2017
At the beginning of the period	18,774	13,428
Charge for the period	-	5,410
Write-off*	(12,184)	(64)
At the end of the period	6,590	18,774

*Certain spare parts have been written off during the period.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**

(All amounts in Saudi Riyals thousands unless otherwise stated)

9. Trade and other receivables

	June 30, 2017	March 31, 2017
Trade receivables	190,478	170,620
Less: Provision for doubtful receivables (see below)	(17,572)	(17,334)
Net trade receivables	172,906	153,286
Net advances and other receivables	7,724	8,512
	180,630	161,798

Trade receivables are unsecured non-interest bearing and are generally on terms agreed with customers.

Movement in the provision for doubtful receivables is as follows:

	June 30, 2017	March 31, 2017
At the beginning of the period	17,334	14,447
Charge for the period	238	3,111
Write-off	-	(224)
At the end of the period	17,572	17,334

10. Deposits, prepayments and other assets

	June 30, 2017	March 31, 2017
Prepayments	10,656	15,351
Security and other deposits	1,343	1,289
	11,999	16,640

11. Zakat

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 Saudi Riyals 8.25 million. 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 Company is seeking further clarification from them.

The GAZT raised final assessments for the years 2003 and 2004 with an additional Zakat liability of Saudi Riyals 5.14 million. 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 Saudi Riyals 5.38 million for years 2003 and 2004. The GAZT has encashed the bank guarantee. The Company is seeking further clarification from them.

The GAZT raised assessments for the years ended 31 March 2005 through 31 March 2007 with an additional Zakat liability of Saudi Riyals 4.74 million. The HAC has issued its decision on the Company's appeal against the Preliminary Objection Committee (POC). Based on HAC's decision, the assessed liability will reduce to Saudi Riyals 3.55 million, 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 Saudi Riyals 4.58 million and paid Saudi Riyals 0.16 million "under protest". The GAZT has issued revised assessment based on HAC decision with an additional Zakat liability of Saudi Riyals 4.43 million. The Company has submitted a letter to the GAZT requesting them to correct errors in the revised assessment. The BOG rendered its decision in favour of the GAZT. The Company filed an appeal against the BOG decision. Subsequently, the Administrative Appellate Court of BOG rendered their decision and the Company is seeking further clarification from them.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

11. Zakat (continued)

The GAZT raised final assessments for the years ended 31 March 2008 through 31 March 2011 with an additional assessment liability of Saudi Riyals 9.23 million. POC has rendered its decision on the Company's appeal against the GAZT's additional assessment. The Company has filed an appeal with HAC against POC's decision. In addition, the Company has lodged a bank guarantee with the GAZT for Saudi Riyals 5.27 million and paid Saudi Riyals 1.85 million "under protest". The GAZT issued revised assessment based on POC decision with an additional Zakat liability of Saudi Riyals 4.03 million. The Company has submitted a letter to the GAZT requesting them to correct errors in the revised assessment. The HAC conducted a hearing session on 28 March 2017. The HAC requested for certain additional information. The company has submitted the additional information requested by HAC. The HAC decision is awaited.

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

12. Employees' 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 key assumptions, the components of the net benefit expense recognized in the condensed consolidated interim statement of profit or loss and condensed consolidated interim statement of other comprehensive income and amounts recognized in the condensed consolidated interim statement of financial position.

	2017	2016
Discount rate	3.2%	2.6 %
Expected rate of salary increase	3.6%	2.8 %

Actuarial valuation reconciliation

	June 30, 2017	March 31, 2017
Present value of obligation	107,835	109,935
Interest cost	598	2,692
Current service cost	2,414	10,882
Actuarial gain (loss) on the obligation	-	(7,283)
Benefits paid	(4,083)	(8,391)
Defined benefit obligation	106,764	107,835

13. Trade and other payables

	June 30, 2017	March 31, 2017
Trade payables	113,864	93,346
Other payables	5,474	6,034
	119,338	99,380

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(All amounts in Saudi Riyals thousands unless otherwise stated)

14. Related party matters**14.1 Transactions with related parties**

- (a) Transactions with related parties were undertaken in the ordinary course of business at commercial terms and were approved by the management.
- (b) Significant related party transactions and balances for the period ended June 30 and balances arising there from are described as under:

Transactions with	Nature of transaction	Amount of transactions		Due to related parties	
		June 30, 2017	March 31, 2017	June 30, 2017	March 31, 2017
Buruj Cooperative insurance company (affiliate)	Insurance premium	(3,423)	(13,423)	(1,501)	(1,108)

14.2 Compensation of key management personnel of the Group

Compensation to Group's key management personnel includes salaries, and contributions to post-employment defined benefit plan. Group has recognized an expense of Saudi Riyals 3.70 million for the three months period ended June 30, 2017 (three months period ended June 30, 2016: Saudi Riyals 3.18 million).

15. Financial Instruments**15.1 Financial assets**

	June 30, 2017	March 31, 2017
Available for sale financial assets at fair value through OCI		
Unquoted shares	243	243
Financial assets at amortised cost		
Trade and other receivables	180,630	161,798
Cash and bank balances	505,096	543,914
Total financial assets	685,969	705,955

Available for sale financial assets at fair value through OCI

It includes an investment in an unlisted company having no change in the fair value during the period ended June 30, 2017.

Receivables

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.

15.2 Financial liabilities

	June 30, 2017	March 31, 2017
Financial liabilities at amortised cost		
Trade and other payables	119,338	99,380
Accruals and other liabilities	182,588	150,359
Due to a related party	1,501	1,108
Total financial liabilities	303,427	250,847
Total non-current liabilities	106,764	107,835

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial statement for the three month period ended June 30, 2017**(All amounts in Saudi Riyals thousands unless otherwise stated)

16. Financial instruments risk management objective and policies

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

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

Market risk

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

The sensitivity analyses in the following sections relate to the position as at June 30, 2017.

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 June 30, 2017 and 2016, the Group does not have any borrowings accordingly no interest rate risk sensitivity is presented.

ii) Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not significantly exposed to fluctuations in foreign exchange rates during its ordinary course of business, as significant transactions of the Group, during the period, are either in Saudi Riyal 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. 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) Price risk

The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Group's interest in unlisted equity security is susceptible to a price risk arising from uncertainties about future cash flows of the investment. The Group manages this price risk by periodically monitoring the financial results of the investee.

iv) 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 any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

At June 30, 2017, the Group had 5 customers that accounted for approximately 44% (March 31, 2017: 43%) of total outstanding trade receivable.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

16. Financial instruments risk management objective and policies (continued)

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

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

b) Deposits with banks and financial institutions

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.

v) 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:

Period ended June 30, 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Trade and other payables	-	119,338	-	-	-	119,338
Accruals and other liabilities	2,708	179,880	-	-	-	182,588
Due to related party	1,501	-	-	-	-	1,501
	4,209	299,218	-	-	-	303,427
Year ended 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 related party	1,108	-	-	-	-	1,108
	3,541	247,306	-	-	-	250,847

17. Commitments and contingencies

- (a) At June 30, 2017, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 91.56 million (March 31, 2017: Saudi Riyals 55.27 million)
- (b) As at June 30, 2017, the Group has a contingent liability of Saudi Riyals 10.09 million (March 31, 2017: Saudi Riyals 10.02 million) in respect of guarantees issued by the Company's bankers to the GAZT (Note 11).

18. Dividends

In the Annual General Assembly meeting of the Group held on May 24, 2017, the shareholders authorized a dividend of Saudi Riyals 4 per share amounting to Saudi Riyals 130 million.

19. Approval of financial statements

On July 30, 2017, these consolidated condensed interim financial statements were authorized for issue by the Board of Director.