

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

CONSOLIDATED FINANCIAL STATEMENTS

31 MARCH 2015

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO) (A SAUDI JOINT STOCK
COMPANY)**

Scope of audit

We have audited the accompanying consolidated balance sheet of Saudia Dairy & Foodstuff Company - a Saudi Joint Stock Company - ("the Company" or "the Parent Company") and its subsidiaries ("the Group") as at 31 March 2015, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended. These consolidated financial statements are the responsibility of the Company's management and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

Unqualified opinion

In our opinion, the consolidated financial statements taken as a whole:

- i) present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2015 and the consolidated results of its operations and its cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's Bylaws in so far as they effect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
Licence No. 356



28 Rajab 1436H
17 May 2015


Jeddah

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

CONSOLIDATED BALANCE SHEET

As at 31 March 2015

	Note	2015 (SR '000)	2014 (SR '000)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	66,425	112,913
Accounts receivable	5	172,108	171,527
Deposits, prepayments and other current assets	6	25,725	44,106
Inventories	7	352,718	308,421
Assets relating to a subsidiary held for disposal	8	-	3,159
TOTAL CURRENT ASSETS		616,976	640,126
NON-CURRENT ASSETS			
Investments	9	243	243
Property, plant and equipment	10	591,854	497,678
TOTAL NON-CURRENT ASSETS		592,097	497,921
TOTAL ASSETS		1,209,073	1,138,047
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		108,869	56,859
Accruals and other current liabilities		50,669	60,145
Due to related parties	15	937	636
Accrued zakat	11	13,623	14,530
Dividend payable		1,975	2,207
Liabilities relating to a subsidiary held for disposal	8	-	425
TOTAL CURRENT LIABILITIES		176,073	134,802
NON-CURRENT LIABILITY			
Employees' end of service benefits		83,768	80,555
TOTAL LIABILITIES		259,841	215,357
SHAREHOLDERS' EQUITY			
Equity attributable to shareholders of the Parent Company			
Share capital	12	325,000	325,000
Statutory Reserve	12	162,500	162,500
Voluntary reserve	12	125,713	111,617
Foreign currency translation adjustments		(327)	(1,000)
Retained earnings		335,121	323,414
Total equity attributable to the shareholders of the Parent Company		948,007	921,531
Non-controlling interest		1,225	1,159
TOTAL SHAREHOLDERS' EQUITY		949,232	922,690
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,209,073	1,138,047


Mussad Abdullah Al Nassar
Member Board of Directors


Waltherus Cornelis Petrus Matthijs
Chief Executive Officer


Khalid A. Bakhsh
Chief Financial Officer

The attached notes from 1 to 23 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 March 2015

	Note	2015 (SR '000)	2014 (SR '000)
Sales – net		1,806,878	1,552,824
Cost of sales		(1,254,598)	(1,059,683)
GROSS PROFIT		552,280	493,141
EXPENSES			
Selling and distribution	13	(319,569)	(239,982)
General and administration	14	(77,118)	(69,209)
		(396,687)	(309,191)
INCOME FROM MAIN OPERATIONS		155,593	183,950
Other income, net		102	751
Financial (charges) / income – net		(1,571)	1,289
NET INCOME FROM CONTINUING OPERATIONS		154,124	185,990
DISCONTINUING OPERATIONS			
Net loss from discontinuing operations	8	(389)	(103)
NET INCOME BEFORE ZAKAT		153,735	185,887
Zakat	11	(12,266)	(14,353)
NET INCOME FOR THE YEAR		141,469	171,534
Attributable to:			
Equity shareholders of the Parent Company		140,953	171,113
Non-controlling interests		516	421
NET INCOME FOR THE YEAR		141,469	171,534
Earnings per share:			
Income from main operations (in SR per share)	18	4.79	5.66
Net income (in SR per share)	18	4.35	5.28
Net income attributable to equity shareholders of the Parent Company (in SR per share)	18	4.34	5.27



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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2015

	Note	2015 (SR '000)	2014 (SR '000)
OPERATING ACTIVITIES			
Net income for the year		141,469	171,534
Adjustments for:			
Depreciation	10	71,350	56,959
Non-controlling interests		(450)	(704)
Gain on disposal of property, plant and equipment		(585)	(503)
		<u>211,784</u>	<u>227,286</u>
Changes in operating assets and liabilities:			
Accounts receivable		(581)	48,171
Prepayments, advances and other receivables		18,381	(11,319)
Inventories		(44,297)	(13,026)
Accounts payable		52,010	(51,803)
Due to related parties		301	(2,147)
Accrued zakat, accruals and other current liabilities		(12,015)	13,328
		<u>225,583</u>	<u>210,490</u>
Cash from operations			
Employees' end of service benefits - net		3,213	2,218
		<u>228,796</u>	<u>212,708</u>
INVESTING ACTIVITIES			
Changes in net assets directly associated with a subsidiary held for disposal		2,734	1,038
Net movement in Murabaha term deposit		-	75,000
Sale proceeds from disposal of property, plant and equipment		1,095	2,930
Purchase of property, plant and equipment	10	(166,036)	(134,650)
		<u>(162,207)</u>	<u>(55,682)</u>
Net cash used in investing activities			
FINANCING ACTIVITY			
Dividends paid	19	(113,750)	(97,500)
		<u>(113,750)</u>	<u>(97,500)</u>
Net cash used in financing activity			
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(47,161)	59,526
Effect of exchange rate fluctuations on cash and cash equivalents		673	308
Cash and cash equivalents at the beginning of the year		112,913	53,079
		<u>66,425</u>	<u>112,913</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	4		



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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended 31 March 2015

	<i>Attributable to equity shareholders of Parent Company</i>						<i>Non-</i>	
	<i>Capital</i>	<i>Statutory</i>	<i>Voluntary</i>	<i>Foreign</i>	<i>Retained</i>	<i>Total</i>	<i>controlling</i>	<i>Total</i>
	<i>(SR '000)</i>	<i>Reserve</i>	<i>Reserve</i>	<i>currency</i>	<i>earnings</i>	<i>(SR '000)</i>	<i>interest</i>	<i>(SR '000)</i>
		<i>(SR '000)</i>	<i>(SR '000)</i>	<i>translation</i>	<i>(SR '000)</i>		<i>(SR '000)</i>	
				<i>adjustment</i>				
				<i>(SR '000)</i>				
Balance as at 31 March 2013	325,000	162,500	94,506	(1,308)	268,312	849,010	1,442	850,452
Net income for the year	-	-	-	-	171,113	171,113	421	171,534
Dividend paid (note 19)	-	-	-	-	(97,500)	(97,500)	-	(97,500)
Transfer to reserve	-	-	17,111	-	(17,111)	-	-	-
Board of directors' remuneration	-	-	-	-	(1,400)	(1,400)	-	(1,400)
Foreign currency translation adjustments	-	-	-	308	-	308	(704)	(396)
Balance as at 31 March 2014	325,000	162,500	111,617	(1,000)	323,414	921,531	1,159	922,690
Balance as at 31 March 2014	325,000	162,500	111,617	(1,000)	323,414	921,531	1,159	922,690
Net income for the year	-	-	-	-	140,953	140,953	516	141,469
Dividend paid (note 19)	-	-	-	-	(113,750)	(113,750)	-	(113,750)
Transfer to reserve	-	-	14,096	-	(14,096)	-	-	-
Board of directors' remuneration	-	-	-	-	(1,400)	(1,400)	-	(1,400)
Foreign currency translation adjustments	-	-	-	673	-	673	(450)	223
Balance as at 31 March 2015	325,000	162,500	125,713	(327)	335,121	948,007	1,225	949,232



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudia Dairy and Foodstuff Company (SADAFCO) ("the Company") is a 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 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 March 2015, 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%
SADAFCO Qatar Company	Foodstuff and dairy products	Qatar	75%
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 Kuwait Foodstuff Co. W.L.L	Foodstuff and dairy products	Kuwait	49%

The percentage of beneficial interest has not changed from the previous year.

*The above subsidiaries have not yet commenced their operations.

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

Other subsidiaries:

Swiss Premium Foods Company SAE, Egypt (see Note 8)

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

2. BASIS OF PREPARATION (continued)

(b) Basis of measurement

These 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 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 judgements

The preparation of 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. 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

(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 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 year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been consistently applied by the management of the Group:

Basis of consolidation

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

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 financial statements of subsidiaries are included in the 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 Company and the subsidiaries are eliminated in preparing these consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are also eliminated at consolidation. The attributable equity interest of third parties in the Group is included under the non controlling interests caption in these consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets relating to a subsidiary held for disposal

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the Parent Company if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute. Costs to distribute are the incremental costs directly attributable to the distribution, excluding the finance costs and zakat / tax expense.

The criteria for held for distribution classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution.

Assets and liabilities classified as held for sale or for distribution are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is:

- A component of the Group that is a CGU or a group of CGUs
- Classified as held for sale or distribution or already disposed in such a way, or
- A major line of business or major geographical area

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after zakat / tax from discontinued operations in the statement of profit or loss.

Account receivables

Account 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 consolidated statement of changes in shareholders' equity. However, any non-temporary decline in value is charged to the 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated statement of income when incurred.

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

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 year, net of discounts and returns.

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 Company and its Saudi Arabian subsidiaries are subject to Zakat and income-tax in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). The foreign subsidiaries are subject to tax regulations in their respective countries of incorporation. Zakat and income tax are charged to consolidated statement of income.

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 consolidated statement of income.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 administrative expenses.

Operating lease payments

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

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 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 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 consolidated balance sheet.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

4 CASH AND CASH EQUIVALENTS

	2015 (SR '000)	2014 (SR '000)
Cash and cheques in hand	8,726	14,477
Balances with banks - current account	57,699	98,436
	66,425	112,913

5 ACCOUNTS RECEIVABLE

	2015 (SR '000)	2014 (SR '000)
Trade receivables	176,876	171,248
Less: Provision for doubtful accounts (see below)	(18,124)	(17,066)
Net trade receivables	158,752	154,182
Net advances and other receivables	10,737	13,870
Due from related parties (note 15)	2,619	3,475
	172,108	171,527

At 31 March 2015, trade receivables at nominal value of SR 18.1 million (2014: SR 17.1 million) were impaired. Movements in the provision for doubtful accounts were as follows:

	2015 (SR'000)	2014 (SR'000)
At the beginning of the year	17,066	17,189
Charge/(reversal) for the year	1,058	(123)
At the end of the year	18,124	17,066

As at 31 March, the ageing of unimpaired trade receivables, is as follows:

		<i>Past due but not impaired</i>			
	<i>Total</i>	<i>Neither</i>	<i>Upto 30</i>	<i>31 – 60</i>	<i>61 and over</i>
	<i>SR'000</i>	<i>past due nor</i>	<i>days</i>	<i>days</i>	<i>days</i>
		<i>impaired</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
		<i>SR'000</i>			
2015	158,752	148,976	9,010	766	-
2014	154,182	122,542	20,972	7,477	3,191

It is not the practice of the Group to obtain collateral over receivables and the vast majority of receivables are therefore, unsecured. However, unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

6 DEPOSITS, PREPAYMENTS AND OTHER CURRENT ASSETS

	2015 (SR '000)	2014 (SR '000)
Prepayments	24,771	32,258
Security and other deposits	790	11,691
Others	164	157
	25,725	44,106

7 INVENTORIES

As at 31 March, inventories comprise the following:

	2015 (SR '000)	2014 (SR '000)
Raw and packing materials	249,979	126,120
Finished goods	51,991	62,934
Spare parts, supplies and other items	33,262	26,060
Goods-in-transit	27,621	102,910
	362,853	318,024
Less: Provision for slow moving and obsolete inventories (see below)	(10,135)	(9,603)
	352,718	308,421

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

	2015 (SR'000)	2014 (SR'000)
At the beginning of the year	9,603	7,894
Charge for the year	592	2,500
Write-off	(60)	(791)
At the end of the year	10,135	9,603

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2015

8 DISCONTINUING OPERATIONS (SUBSIDIARY HELD FOR DISPOSAL)

Swiss Premium Foods Company SAE, Egypt (SPF), a subsidiary of SADAFCO, was engaged in manufacturing and production of ice cream products. During the year ended 31 March 2009, SADAFCO decided to sell its beneficial interest of 96.3% in SPF and consequently at 31 March 2009 SPF was classified as a subsidiary held for disposal. On 7 October 2009, the shareholders of SPF decided to liquidate the Company. On 31 December 2009, the Ministry of Commerce in Egypt notified the Company as 'under liquidation'.

Under the liquidation process, certain assets of SPF have been sold for SR 5,800 thousands (LE 9,500 thousands). This amount has been fully received during the quarter ended 30 September 2012, and was classified in the other assets net of payments made towards other accrued expenses.

The formalities relating to liquidation have been completed on 24 March 2015 and cancellation of commercial registration is still in progress. The bank balance amounting to SR 1,642 thousands (LE 3,318 thousands), after settlement of all accrued expenses is being held by an affiliate on behalf of SADAFCO. The results of the subsidiary are presented below:

	<i>For the year ended</i>	
	2015	2014
	(SR '000)	(SR '000)
Net loss from discontinuing operations	(389)	(103)

The major classes of assets and liabilities of SPF classified as held for disposal, as at 31 March, are as follows:

	2015	2014
	(SR '000)	(SR '000)
Assets:		
Others	-	3,159
Assets classified as held for disposal	-	3,159
Liabilities:		
Accrued liabilities	-	425
Liabilities classified as held for disposal	-	425
Net assets directly associated with subsidiary held for disposal	-	2,734

9 INVESTMENTS

	2015	2014
	(SR '000)	(SR '000)
Investments available for sale (unquoted)	1,336	1,336
Less: Provision for non-temporary decline in value	(1,093)	(1,093)
	243	243

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10 PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings SR'000</i>	<i>Machinery and equipment SR'000</i>	<i>Vehicles and trailers SR'000</i>	<i>Furniture, fixtures and office equipment SR'000</i>	<i>Capital work-in- progress SR'000</i>	<i>Total 2015 SR'000</i>	<i>Total 2014 SR'000</i>
Cost :							
At the beginning of the year	266,295	734,449	211,409	69,695	61,018	1,342,866	1,213,807
Additions (see note 10c)	16,682	1,222	839	722	146,571	166,036	134,650
Disposals	(89)	(22,097)	(28,025)	(798)	-	(51,009)	(5,591)
Transfers, net	65,402	56,364	17,040	1,155	(139,961)	-	-
At the end of the year	348,290	769,938	201,263	70,774	67,628	1,457,893	1,342,866
Depreciation:							
At the beginning of the year	159,625	483,527	144,412	57,624	-	845,188	791,393
Charge for the year (see note 10a)	8,700	39,321	19,164	4,165	-	71,350	56,959
Disposals	(524)	(21,235)	(27,930)	(810)	-	(50,499)	(3,164)
At the end of the year	167,801	501,613	135,646	60,979	-	866,039	845,188
Net book amounts:							
At 31 March 2015	180,489	268,325	65,617	9,795	67,628	591,854	
At 31 March 2014	106,670	250,922	66,997	12,071	61,018		497,678

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10 PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2015 SR'000	2014 SR'000
Cost of sales	42,267	29,483
Selling and distribution expenses (note 13)	27,063	25,589
General and administrative expenses (note 14)	2,020	1,887
	71,350	56,959

- (b) The ownership interest of the Company in certain freehold land held in Madinah amounting to SR 1,538 thousand (2014: SR 1,538 thousand) is through a shareholder of the Company. The Company holds legal documents confirming its beneficial interest.
- (c) The additions during the year amounting to SR 166,036 thousand (2014: SR 134,650 thousand), mainly represent purchase of machinery for Dammam and Jeddah factories which are under commissioning and completion of Riyadh Distribution Centre.

11 ZAKAT

Charge for the year

The zakat charge for the year is based on the separate financial statements of the Parent Company and its subsidiaries.

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

	2015 SR'000	2014 SR'000
Charge for the year	12,266	14,353

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11 ZAKAT (continued)

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

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Capital	325,000	325,000
Adjusted net income	151,700	181,813
Adjusted reserves, provisions and others at the beginning of the year	704,859	636,310
Deduction for long-term assets	(692,777)	(586,608)
Deduction for investments	-	(7,000)
Zakat base	488,782	549,515

Movements in provision during the year

The movement in the zakat provision for the year was as follows:

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
At the beginning of the year	14,530	13,720
Charge for the year	12,266	14,353
Payment during the year	(13,173)	(13,543)
At the end of the year	13,623	14,530

Status of assessments

Zakat assessments for the years up to and including 1996 have been finalised with the Department of Zakat and Income Tax (DZIT).

The DZIT 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 DZIT. The Company has filed a review petition against BOG decision. Pending resolution of the case, the assessed amount has been paid "under protest".

The DZIT 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 DZIT amounting to SR 5,382 thousand for years 2003 and 2004.

The DZIT 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 recently 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. BOG review of the Company's appeal is awaited. The Company has lodged a bank guarantee with the DZIT for SR 4,576 thousands and paid SR 166 thousand "under protest". Recently, the DZIT issued revised assessment based on HAC decision with an additional Zakat liability of SR 4,426 thousands. The Company intends to make appropriate submission in this regard.

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11 ZAKAT (continued)

Status of assessments (continued)

The DZIT 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 recently rendered its decision on the Company's appeal against the DZIT's additional assessment. Based on the Company's understanding of the PAC's decision, the additional assessed liability will reduce to approximately SR 5,270 thousand. However, the Company has filed an appeal with HAC against PAC's decision. The Company has paid SR 1,846 thousand "under protest".

The management believes that the ultimate appeal decisions for the disallowed items shall be in the favour of the Company therefore no additional provision is required. The DZIT has not yet raised assessments for the years 2012 through 2014.

12 SHAREHOLDERS' EQUITY

Capital

The capital of the Company is SR 325,000 thousand (2014: SR 325,000 thousand) divided into 32,500 thousand shares of SR 10 each, which is fully paid.

Statutory reserve

In accordance with Article 125 of the Saudi Arabian Regulations for Companies, the Company is required to transfer at least ten percent of net income for the year to a statutory reserve until such reserve equals fifty percent of paid-up capital. This having been achieved, accordingly, the Company has resolved to discontinue such transfers. This reserve is not available for distribution.

Voluntary reserve

In the prior years, the shareholders decided to create a voluntary reserve by transfer of ten percent of the net income attributable to equity shareholders of 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.

13 SELLING AND DISTRIBUTION EXPENSES

	2015	2014
	SR'000	SR'000
Employee costs	112,708	103,241
Advertising and sales promotion	131,936	71,304
Depreciation (note 10a)	27,063	25,589
Repairs and maintenance costs	7,819	8,231
Insurance	4,868	4,347
Rent	3,546	2,620
Communication	2,527	1,991
Others	29,102	22,659
	319,569	239,982

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14 GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2015</i> <i>SR'000</i>	<i>2014</i> <i>SR'000</i>
Employee costs	53,075	49,890
Depreciation (note 10a)	2,020	1,887
Professional fees	5,491	3,925
Travel and other expenses	2,903	4,103
Repairs and maintenance costs	1,760	1,258
Communication	1,475	1,306
Insurance	636	491
Rent	180	180
Others	9,578	6,169
	<u>77,118</u>	<u>69,209</u>

15 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, 8, 9, 10b and 16b, significant related party transactions for the year ended 31 March and balances arising there from are described as under:

<i>Transactions with</i>	<i>Nature of transaction</i>	<i>Amount of transactions</i>		<i>Balance from / (due to) related parties</i>	
		<i>2015</i> <i>(SR '000)</i>	<i>2014</i> <i>(SR '000)</i>	<i>2015</i> <i>(SR '000)</i>	<i>2014</i> <i>(SR '000)</i>
Affiliates	Current account	786	(434)	2,619	3,475
Affiliates	Sale of a subsidiary	(1,642)	-	-	-
				<u>2,619</u>	<u>3,475</u>
Affiliates	Purchase of goods and services*	(12,432)	(2,682)	(937)	(636)
	Net settlement against purchase of goods and services*	12,131	4,828	-	-
				<u>(937)</u>	<u>(636)</u>

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

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16 COMMITMENTS AND CONTINGENCIES

- (a) At 31 March 2015, the Group has outstanding commitments for future capital expenditures amounting to SR 52,232 thousand (2014: SR 87,546 thousand).
- (b) As at 31 March 2015, the Group has a contingent liability of SR 15,274 thousand (2014: SR 10,004 thousand) in respect of guarantees issued by the Company's bankers to the Department of Zakat and Income Tax (Note 11).

17 OPERATING LEASES

SADAFCO and its subsidiaries have certain warehouses and sales depots under operating leases extending for a period of more than one year. Most of these leases are for an initial period of five years with an option to renew the leases after that date. Lease payments are negotiated annually to reflect market rates.

At 31 March, operating lease rental obligations are payable as follows:

	2015 SR'000	2014 SR'000
Not later than one year	6,718	3,971
Later than one year but not later than five years	3,568	3,339
Later than five years	98	79
	10,384	7,389

18 EARNINGS PER SHARE

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

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 year.

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

The weighted average number of ordinary shares outstanding during the year ended 31 March 2015 was 32.5 million (2014: 32.5 million) shares of SR 10 each. The calculation of diluted earnings per share is not applicable to the Company.

19 DIVIDEND

In the Annual General Assembly meeting of the Company held on 24 June 2014, the shareholders authorised a final dividend of SR 3.5 per share (2013: SR 3 per share) amounting to SR 113,750 thousand (2013: SR 97,500 thousand), which was appropriated from the retained earnings and paid during the quarter ended 30 September 2014.

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20 RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- a) Market risk (which includes commission and interest rate risk and currency risk)
- b) Credit risk
- c) Liquidity risk
- d) Operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

Market risk

Commission arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Group is subject to commission rate risk on its interest bearing assets and liabilities. The management limits the Group's interest rate risk by monitoring changes in interest rates in the currencies in which its interest bearing assets and liabilities are denominated and uses interest rate swaps to strategically hedge its risk, if considered necessary by the management. As at 31 March 2015, the Group does not have any interest bearing assets and liabilities.

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 subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Arabian Riyals and US Dollars during the year. The Group seeks to limit its currency risk by monitoring outstanding exposure. As the Saudi Riyal is pegged to the US Dollars, balances are not considered to represent significant currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. Further the Group has exposure to credit risk with respect to balances with banks. The Group manages this risk by depositing in banks with sound credit ratings. At the balance sheet date, no significant concentrations of credit risk were identified by management. The Group sells its products to large number of customers. The five largest customers account for 43 % (2014 : 42%) of outstanding accounts receivable at 31 March.

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20 RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. The Group limits its liquidity risk by ensuring that sufficient bank facilities are available.

The Group's financial liabilities primarily consist of accounts payable, payable to affiliates, other liabilities and dividend payable. All these financial liabilities are expected to be settled within 12 months from the date of the balance sheet and the Group expects to have adequate liquid funds to do so.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

21 SEGMENT INFORMATION

As the Company's business activity primarily falls within a single business and geographical segment, no additional disclosure is provided under segment reporting.

22 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of cash and bank balances, available-for-sale investments, accounts receivable and other current assets, its financial liabilities consist of accounts payable, payable to affiliates, other liabilities and dividend payables. The fair values of financial instruments are not materially different from their carrying values.

23 APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were authorised for issue by the Board of Directors on 28 Rajab 1436H, corresponding to 17 May 2015.