

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

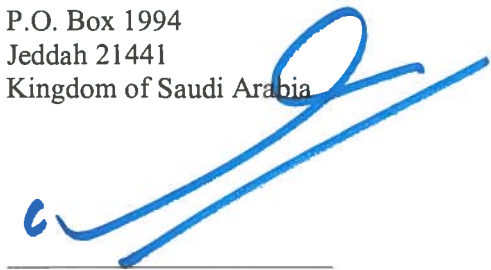
For the three-month and six-month periods ended 30 September 2013

LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFECO) (A SAUDI JOINT STOCK COMPANY)**Scope of review**

We have reviewed the accompanying consolidated balance sheet of Saudia Dairy and Foodstuff Company (A Saudi Joint Stock Company) ("SADAFECO" or the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 September 2013, the related consolidated statements of income for the three-month and six-month periods then ended, the consolidated cash flows, changes in shareholders' equity for the six-month period then ended and the attached notes 1 to 16 which form an integral part of these consolidated financial statements. These interim condensed consolidated financial statements are the responsibility of the Group's Board of Directors and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Saudi Organisation for Certified Public Accountants' Standard on interim financial reporting. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

Ernst & YoungP.O. Box 1994
Jeddah 21441
Kingdom of Saudi ArabiaAhmed I. Reda
Certified Public Accountant
License No. 356**KPMG Al Fozan & Al Sadhan**P.O. Box 55078
Jeddah 21534
Kingdom of Saudi ArabiaEbrahim O. Baeshen
Certified Public Accountant
License No. 38219 Dhu Al Hijjah 1434H
Corresponding to 24 October 2013
Jeddah, Kingdom of Saudi Arabia

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

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 September 2013

	Notes	30 September 2013 (SR '000)	30 September 2012 (SR '000)
ASSETS			
Current assets:			
Cash and cash equivalents	4	58,901	72,836
Murabaha term deposits with a bank	5	--	75,000
Accounts receivable	6	205,781	227,899
Deposits, prepayments and other current assets		26,832	28,730
Inventories		255,660	206,015
Assets relating to a subsidiary held for disposal	9	3,275	4,820
Total current assets		550,449	615,300
Non-current assets:			
Investments	7	243	243
Property, plant and equipment	8	480,009	355,827
Total non-current assets		480,252	356,070
Total assets		1,030,701	971,370
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable		45,847	46,592
Accruals and other current liabilities		63,917	70,098
Accrued Zakat	11	9,252	8,943
Unpaid dividend		1,536	2,211
Payable to affiliates	12	447	4,604
Liabilities relating to a subsidiary held for disposal	9	289	1,101
Total current liabilities		121,288	133,549
Non-current liability:			
Employees' end of service benefits		78,707	74,548
Total liabilities		199,995	208,097
Equity:			
Equity attributable to the Company's shareholders:			
Capital		325,000	325,000
Statutory reserve		162,500	162,500
Voluntary reserve		102,438	85,863
Foreign currency translation adjustments		(2,124)	(2,546)
Retained earnings		241,495	191,223
Total shareholders' equity		829,309	762,040
Non-controlling interests		1,397	1,233
Total equity		830,706	763,273
Total liabilities and equity		1,030,701	971,370

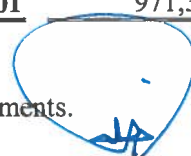


Mussad Abdullah Al Nassar
Member Board of Directors

The accompanying notes 1 to 16 form an integral part
of these unaudited interim condensed consolidated financial statements.



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer

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

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three-month and six-month periods ended 30 September 2013

	For the three-month period ended 30 September		For the six-month period ended 30 September	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(SR '000)	(SR '000)	(SR '000)	(SR '000)
Continuing operations:				
Sales – net	379,645	386,824	807,497	797,400
Cost of sales	(254,548)	(265,290)	(553,935)	(549,023)
Gross profit	125,097	121,534	253,562	248,377
Expenses:				
Selling and distribution	(54,631)	(58,207)	(126,852)	(131,230)
General and administrative	(18,818)	(14,301)	(37,904)	(32,776)
Total expenses	(73,449)	(72,508)	(164,756)	(164,006)
Operating income	51,648	49,026	88,806	84,371
Other (expense) / income - net	(608)	458	(23)	1,151
Financial (charges) / income - net	(265)	1,455	(23)	1,825
Net income from continuing operations	50,775	50,939	88,760	87,347
Discontinuing operations:				
Net profit / (loss) for the period from discontinuing operations (Note 9)	136	(405)	81	(445)
Net income before Zakat	50,911	50,534	88,841	86,902
Zakat (Note 11)	(4,626)	(4,400)	(9,252)	(8,800)
Net income for the period	46,285	46,134	79,589	78,102
Attributable to:				
Equity shareholders of the Parent	46,180	46,058	79,315	77,827
Non-controlling interests	105	76	274	275
Net income for the period	46,285	46,134	79,589	78,102
Earnings per share:				
- on operating income - SR (Note 13)	1.59	1.51	2.73	2.60
- on net income after Zakat - SR (Note 13)	1.42	1.42	2.45	2.40
- on net income attributable to equity shareholders of the Parent - SR (Note 13)	1.42	1.42	2.44	2.39

The accompanying notes 1 to 16 form an integral part
of these unaudited interim condensed consolidated financial statements



Mussad Abdullah Al Nassar
Member Board of Directors



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer


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

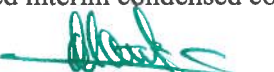
INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)


For the six-months period ended 30 September 2013

	For the six-month period ended 30 September 2013 (SR '000)	For the six-month period ended 30 September 2012 (SR '000)
Operating activities:		
Net income for the period	79,589	78,102
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	26,198	22,576
Non-controlling interests	(319)	(280)
Gain on disposal of property, plant and equipment	(10)	(446)
Employees' end of service benefits – net	370	1506
Changes in operating assets and liabilities:		
Decrease in accounts receivable	13,917	62,583
Decrease / (increase) in deposits, prepayments and other current Assets	5,955	(10,461)
Decrease in inventories	39,735	47,090
Decrease in accounts payable	(62,815)	(74,230)
Decrease payable to affiliates	(2,336)	(34)
Increase /(decrease) in accrued Zakat, accruals and other current liabilities	11,851	(25,230)
Total adjustments	32,546	23,074
Net cash from operating activities	112,135	101,176
Investing activities:		
Changes in net assets directly associated with a subsidiary held for disposal	786	(1,349)
Net movement in Murabaha term deposits with a bank	75,000	75,000
Proceeds from sale of property, plant and equipment	10	632
Purchases of property, plant and equipment	(83,793)	(55,938)
Net cash (used in) / from investing activities	(7,997)	18,345
Financing activity:		
Dividend paid	(97,500)	(97,500)
Net increase in cash and cash equivalents	6,638	22,021
Effect of exchange rate fluctuations on cash and cash equivalents	(816)	(896)
Cash and cash equivalents at the beginning of the period	53,079	51,711
Cash and cash equivalents at the end of the period	58,901	72,836

The accompanying notes 1 to 16 form an integral part of these unaudited interim condensed consolidated financial statements.


Mussad Abdullah Al Nassar
Member Board of Directors


Matthijs Waltherus Cornelis Petrus
Chief Executive Officer


Khalid A. Bakhsh
Chief Financial Officer

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the six-months period ended 30 September 2013

	Attributable to equity shareholders of the Parent							
	<u>Capital</u> (SR '000)	<u>Statutory reserve</u> (SR '000)	<u>Voluntary reserve</u> (SR '000)	<u>Foreign currency translation adjustments</u> (SR '000)	<u>Retained earnings</u> (SR '000)	<u>Total</u> (SR '000)	<u>Non controlling interests</u> (SR '000)	<u>Total equity</u> (SR '000)
Balance at 1 April 2012	325,000	162,500	78,080	(1,650)	219,379	783,309	1,238	784,547
Net income for the period	--	--	--	--	77,827	77,827	275	78,102
Dividend paid (Note 14)	--	--	--	--	(97,500)	(97,500)	--	(97,500)
Transfer to reserves	--	--	7,783	--	(7,783)	--	--	--
Board of directors' remuneration (Note 12 (d))	--	--	--	--	(700)	(700)	--	(700)
Foreign currency translation Adjustments	--	--	--	(896)	--	(896)	(280)	(1,176)
Balance at 30 September 2012	325,000	162,500	85,863	(2,546)	191,223	762,040	1,233	763,273
Balance at 1 April 2013	325,000	162,500	94,506	(1,308)	268,312	849,010	1,442	850,452
Net income for the period	--	--	--	--	79,315	79,315	274	79,589
Dividend paid (Note 14)	--	--	--	--	(97,500)	(97,500)	--	(97,500)
Transfer to reserves	--	--	7,932	--	(7,932)	--	--	--
Board of directors' remuneration (Note 12 (d))	--	--	--	--	(700)	(700)	--	(700)
Foreign currency translation adjustments	--	--	--	(816)	--	(816)	(319)	(1,135)
Balance at 30 September 2013	325,000	162,500	102,438	(2,124)	241,495	829,309	1,397	830,706

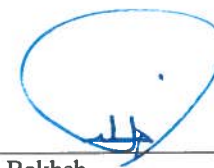
The accompanying notes 1 to 16 form an integral part
of these unaudited interim condensed consolidated financial statements.



Mussad Abdullah Al Nassar
Member Board of Directors



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 September 2013

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

(a) 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 (listed in Note 1(b)), collectively described as the "Group" in these interim condensed 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.

(b) At 30 September 2013, the Company has investments in the following subsidiaries:

<u>Name</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>SADAFCO's beneficial interest</u>
SADAFCO Foodstuff Company LLC ^	Foodstuff and dairy products	United Arab Emirates (UAE)	100%
SADAFCO Bahrain Company LLC	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 Company for food stuff*^	Foodstuff and dairy products	Kuwait	49%

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

*The above subsidiaries have not yet commenced their operations.

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

Other subsidiaries:

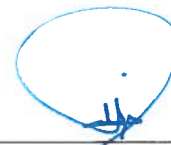
- Swiss Premium Foods Company SAE, Egypt (see Note 9)



Mussad Abdullah Al Nassar
Member Board of Directors



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 September 2013

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying interim condensed consolidated financial statements have been prepared in accordance with the Standard for Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (SOCPA).

These interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 March 2013.

(b) Basis of measurement

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

(c) Functional and presentation currency

These interim condensed 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.

(d) Use of estimates and judgements

The preparation of interim condensed 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.



Mussad Abdullah Al Nassar
Member Board of Directors



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 September 2013

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

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.



Mussad Abdullah Al Nassar
Member Board of Directors



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 September 2013

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 used by the Group for the preparation of these interim-condensed consolidated financial statements are consistent with those used for the preparation of the annual consolidated financial statements. Certain prior period amounts have been reclassified to confirm the presentation in the current period.

(a) Basis of consolidation

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

(b) 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 interim condensed consolidated financial statements from the date that control commences until the date control ceases.



Mussad Abdullah Al Nassar
Member Board of Directors



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month and six-month periods ended 30 September 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investments in subsidiaries (continued)

All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries are eliminated in preparing these interim condensed consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidation.

The attributable equity interest of third parties in the Group is included under the non controlling interests caption in these interim condensed consolidated financial statements.

(c) 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.

(d) 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. Changes in the fair value are credited or charged to the interim condensed consolidated statement of changes in shareholders' equity. However, any non-temporary decline in value is charged to the interim consolidated statement of income. Fair value is determined by reference to the market value.

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

(e) Property, plant and equipment and depreciation

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

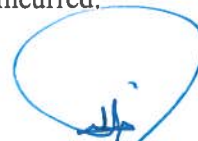
Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the interim consolidated statement of income when incurred.



Mussad Abdullah Al Nassar
Member Board of Directors



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month and six-month periods ended 30 September 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment and depreciation (continued)

Depreciation is charged to the interim condensed 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

(f) Revenue recognition

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

(g) 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.

(h) 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 interim consolidated statement of income.



Mussad Abdullah Al Nassar
Member Board of Directors



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 September 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Employees' end of service benefits

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

(j) 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.

(k) Operating lease payments

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


(l) Foreign currencies

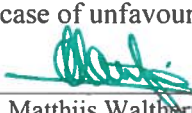
Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Saudi Arabian Riyals (for the Company) or the relevant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

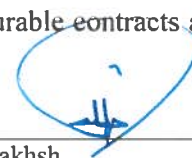
Exchange difference, arising from the translation of foreign currency financial statements of subsidiaries are allocated to the shareholders of the Parent Company and non-controlling shareholders in proportion to their ownership interests in the investee companies. SADAFCO's share in exchange difference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

(m) Derivative financial instruments

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


Mussad Abdullah Al Nassar
Member Board of Directors


Matthijs Waltherus Cornelis Petrus
Chief Executive Officer


Khalid A. Bakhsh
Chief Financial Officer

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 September 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) 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.

(p) 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.

4. CASH AND CASH EQUIVALENT

Cash and cash equivalent at 30 September, comprise the following:


	<u>2013</u> (SR 000)	<u>2012</u> (SR 000)
Cash and cheques in hand	26,966	10,664
Balance with banks – current account	<u>31,935</u>	<u>62,172</u>
	<u>58,901</u>	<u>72,836</u>

5. MURABAHA TERM DEPOSIT WITH A BANK


During the period ended 30 September 2013, Murabaha deposit amounting to SR 75 million with United Gulf Bank, Bahrain (a related party) was matured.



Mussad Abdullah Al Nassar
Member Board of Directors



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 September 2013

6. ACCOUNTS RECEIVABLE

Accounts receivable at 30 September comprise the following:

	<u>2013</u> (SR 000)	<u>2012</u> (SR 000)
Trade receivables	182,883	211,621
Less: Provision for doubtful accounts	(16,466)	(16,600)
Net trade receivables	166,417	195,021
Net advances and other receivables	35,359	24,498
Related parties (Note 12)	4,005	8,380
	<u>205,781</u>	<u>227,899</u>

7. INVESTMENTS

(a) Investment at 30 September comprise the following:

	<u>2013</u> (SR '000)	<u>2012</u> (SR '000)
Investments available for sale (unquoted)	1,336	1,336
Less: Provision for non-temporary decline in value	(1,093)	(1,093)
	<u>243</u>	<u>243</u>

(b) SADAFCO's ownership interest in some of the investments (1(b)) is held through parties nominated by the Company.



Mussad Abdullah Al Nassar
Member Board of Directors



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 September 2013

8. PROPERTY, PLANT AND EQUIPMENT

- (a) The ownership interest of the Company in certain freehold land held in Madinah amounting to SR 1,538 thousand (2012: SR 1,538 thousand) is through certain shareholders of the Company.
- (b) The additions during the period amounting to SR 83,793 thousand (2012: SR 55,938 thousand), mainly represent purchase of machinery for Dammam, Jeddah factories and the expansion of Riyadh Distribution Centre. The Company commenced partial operations in Dammam factory from September 2012.

9. 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 is classified in the other assets net of payments made towards other accrued expenses. The legal formalities relating to the liquidation are still in progress.

The results of the subsidiary for the period ended 30 September are presented below:

	For the three-month periods		For the six-month periods	
	<u>30 September</u>		<u>30 September</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	(SR '000)	(SR '000)	(SR '000)	(SR '000)
Net profit / (loss) for the period from discontinuing operations	136	(405)	81	(445)


Mussad Abdullah Al Nassar
Member Board of Directors


Matthijs Waltherus Cornelis Petrus
Chief Executive Officer


Khalid A. Bakhsh
Chief Financial Officer

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 September 2013

9. DISCONTINUING OPERATIONS (SUBSIDIARY HELD FOR DISPOSAL) (continued)

The major classes of assets and liabilities of SPF classified as held for disposal, as at 30 September, are as follows:

	<u>2013</u> (SR '000)	<u>2012</u> (SR '000)
Assets:		
Property, plant and equipment	--	83
Others	<u>3,275</u>	<u>4,737</u>
Assets classified as held for disposal	<u>3,275</u>	<u>4,820</u>
Liabilities:		
Accrued liabilities	<u>289</u>	<u>1,101</u>
Liabilities classified as held for disposal	<u>289</u>	<u>1,101</u>
Net assets directly associated with subsidiary held for disposals	<u>2,986</u>	<u>3,719</u>

10. COMMITMENTS, CONTINGENCIES AND DERIVATIVE CONTRACTS

- (a) At 30 September 2013, the Group has outstanding commitments for future capital expenditures amounting to SR 62,067 thousand (2012: SR 29,506 thousand).
- (b) As at 30 September 2013, the Group has a contingent liability of SR 10,004 thousand (2012: SR 17,723 thousand) in respect of guarantees issued by the Company's bankers to the Department of Zakat and Income Tax (Note 11).

11. ZAKAT

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. The Company's appeal against the Higher Appeal Committee (HAC) decision is awaiting review by the Board of Grievances (BOG). Pending resolution of the case, an amount of SR 7,765 thousand has been paid to the DZIT "under protest". SADAFCO will seek its refund on favourable resolution of the matter.



Mussad Abdullah Al Nassar
Member Board of Directors



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 September 2013

11. ZAKAT (continued)

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 Board of Grievances (BOG). SADAFCO has lodged 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 based on Preliminary Appeal Committee [PAC] decision. The Company has filed an appeal with the Higher Appeal Committee (HAC) against the PAC decision. SADAFCO has lodged a bank guarantee with the DZIT amounting to SR 4,576 thousands together with a bank collection order for SR 166 thousand paid "under protest".

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. The Company has filed an appeal with DZIT against the final assessment and has paid SR 1,846 thousand "under protest"

The management believes that the ultimate appeal decision for the disallowed items shall be in the favour of the Company therefore no additional provision required.

12. 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(b), 5, 6, 7 and 9, significant related party transactions for the period ended 30 September 2013 and balances arising there from are described as under:

<u>Transactions with</u>	<u>Nature of transaction</u>	<u>Amount of Transactions</u>		<u>Closing balance Receivable/(Payable)</u>	
		<u>2013</u> (SR 000)	<u>2012</u> (SR 000)	<u>2013</u> (SR 000)	<u>2012</u> (SR 000)
Affiliates	Purchase of goods and services *	(2,492)	(5,148)	(447)	(4,604)
	Net settlement against purchase of goods and services	6,650	5,182	--	--
Affiliates	Current account	96	307	4,005	3,520
Affiliate	Sale of a subsidiary	--	--	--	4,860
				<u>4,005</u>	<u>8,380</u>

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

Mussad Abdullah Al Nassar
Member Board of Directors

Matthijs Waltherus Cornelis Petrus
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month and six-month periods ended 30 September 2013

12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (c) In addition to the disclosure set out in note 5, profit earned on Murabaha term deposit with United Gulf Bank amounts to SR 644 thousand for the period ended 30 September 2013 (2012: SR 1,763 thousand).
- (d) Board of Directors' remuneration amounting to SR 700 thousand (2012: SR 700 thousand), is calculated in accordance with Article 35-4 of the Company's Articles of Association and is considered as an appropriation and is shown in the statement of changes in shareholders' equity.

13. 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 period.

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

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

The weighted average number of ordinary shares outstanding during six-months ended 30 September 2013 was 32.5 million (2012: 32.5 million) shares of SR 10 each. The calculation of diluted earnings per share is not applicable to the Company.

14. DIVIDEND


In the Annual General Assembly meeting of the Company held on June 24, 2013, the shareholders authorised a final dividend of Saudi Riyals 3 per share (2012: Saudi Riyals 3 per share) amounting to SR 97,500 thousand (2012: SR 97,500 thousand), which was appropriated from the retained earnings and paid during the quarter ended 30 September 2013.

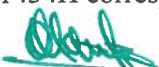
15. SEGMENT REPORTING

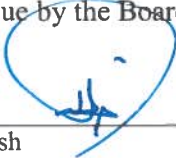
As the Company's business activity primarily falls within a single business and geographical segment, no additional disclosure is provided under segment reporting.

16. APPROVAL OF FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were authorised for issue by the Board of Directors on 19 Dhu Al Hijjah 1434H corresponding to 24 October 2013.


Mussad Abdullah Al Nassar
Member Board of Directors


Matthijs Waltherus Cornetis Petrus
Chief Executive Officer


Khalid A. Bakhsh
Chief Financial Officer