

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

UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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 2015 and the related consolidated statements of income for the three-month and six-month periods then ended, and the related consolidated statements of cash flows and changes in shareholders' equity for the six-month period then ended. These interim consolidated financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. We conducted our limited review in accordance with the Saudi Organisation for Certified Public Accountants' Standard on interim financial reporting. A limited review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

for Ernst & Young

Ahmed I. Reda
Certified Public Accountant
License No. 356



6 Muharram 1437H
19 October 2015

Jeddah

15/209/AIR

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

INTERIM CONSOLIDATED BALANCE SHEET

As at 30 September 2015

	Note	2015 (Unaudited) (SR '000)	2014 (Unaudited) (SR '000)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	161,172	31,788
Accounts receivable	5	175,786	204,313
Deposits, prepayments and other current assets		28,465	68,659
Inventories		290,355	354,071
TOTAL CURRENT ASSETS		655,778	658,831
NON-CURRENT ASSETS			
Investments		243	243
Property, plant and equipment	6	577,917	533,651
TOTAL NON-CURRENT ASSETS		578,160	533,894
TOTAL ASSETS		1,233,938	1,192,725
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Accounts payable		77,017	106,273
Accruals and other current liabilities		99,262	50,910
Short term debts		-	45,000
Due to related parties	7	7,566	6,647
Accrued zakat	8	9,084	8,247
Dividend payable		2,819	2,503
TOTAL CURRENT LIABILITIES		195,748	219,580
NON-CURRENT LIABILITY			
Employees' end of service benefits		90,877	82,523
TOTAL LIABILITIES		286,625	302,103
SHAREHOLDERS' EQUITY			
Equity attributable to shareholders of the Parent Company			
Share capital		325,000	325,000
Statutory reserve		162,500	162,500
Voluntary reserve		136,933	119,784
Foreign currency translation adjustments		(508)	(775)
Retained earnings		322,350	283,165
Total equity attributable to the shareholders of the Parent Company		946,275	889,674
Non-controlling interest		1,038	948
TOTAL SHAREHOLDERS' EQUITY		947,313	890,622
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,233,938	1,192,725

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Syed Fahim Hassan Hamdani
Group Accounting Manager

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

SAUDIA DAIRY & 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 2015

	Note	For the three-month period ended 30 September		For the six-month period ended 30 September	
		2015 (SR '000)	2014 (SR '000)	2015 (SR '000)	2014 (SR '000)
Sales - net		481,929	431,297	1,002,604	894,902
Cost of sales		(315,718)	(301,742)	(656,660)	(628,108)
GROSS PROFIT		166,211	129,555	345,944	266,794
EXPENSES					
Selling and marketing		(85,778)	(59,942)	(179,222)	(140,013)
General and administration		(22,337)	(17,926)	(46,407)	(36,819)
		(108,115)	(77,868)	(225,629)	(176,832)
INCOME FROM MAIN OPERATIONS		58,096	51,687	120,315	89,962
Other expenses, net		(237)	(112)	(207)	(124)
Financial charges		(311)	(296)	(554)	(445)
NET INCOME BEFORE ZAKAT		57,548	51,279	119,554	89,393
Zakat	8	(3,500)	(3,514)	(7,000)	(7,523)
NET INCOME FOR THE PERIOD		54,048	47,765	112,554	81,870
Attributable to:					
Equity shareholders of the Parent		53,905	47,634	112,199	81,668
Non-controlling interests		143	131	355	202
NET INCOME FOR THE PERIOD		54,048	47,765	112,554	81,870
Earnings per share:					
Income from main operations (in SR per share)	9	1.79	1.59	3.70	2.77
Net income (in SR per share)	9	1.66	1.47	3.46	2.52
Net income attributable to equity shareholders of the Parent (in SR per share)	9	1.66	1.47	3.45	2.51


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

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-month period ended 30 September 2015

	Note	2015 (Unaudited) (SR '000)	2014 (Unaudited) (SR '000)
OPERATING ACTIVITIES			
Net income for the period		112,554	81,870
Adjustments for:			
Depreciation		37,839	34,499
Non-controlling interests		(542)	(413)
Gain on disposal of property, plant and equipment		(325)	-
		<u>149,526</u>	<u>115,956</u>
Changes in operating assets and liabilities:			
Accounts receivable		(3,678)	(32,786)
Deposits, prepayments and other current assets		(2,740)	(21,770)
Inventories		62,363	(45,650)
Accounts payable		(31,852)	49,414
Due to related parties		6,629	6,011
Accrued zakat, accruals and other current liabilities		44,898	(15,340)
		<u>225,146</u>	<u>55,835</u>
Cash from operations		<u>225,146</u>	<u>55,835</u>
Employees' end of service benefits - net		7,109	1,968
		<u>232,255</u>	<u>57,803</u>
INVESTING ACTIVITIES			
Changes in net assets directly associated with a subsidiary held for disposal		-	69
Sale proceeds from disposal of property, plant and equipment		412	-
Purchases of property, plant and equipment	6	(23,989)	(70,472)
		<u>(23,577)</u>	<u>(70,403)</u>
Net cash used in investing activities		<u>(23,577)</u>	<u>(70,403)</u>
FINANCING ACTIVITIES			
Proceeds from short term debts		-	45,000
Dividend paid		(113,750)	(113,750)
		<u>(113,750)</u>	<u>(68,750)</u>
Net cash used in financing activities		<u>(113,750)</u>	<u>(68,750)</u>
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>94,928</u>	<u>(81,350)</u>
Effect of exchange rate fluctuations on cash and cash equivalents		(181)	225
Cash and cash equivalents at the beginning of the period		66,425	112,913
		<u>66,425</u>	<u>112,913</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4	<u>161,172</u>	<u>31,788</u>



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

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

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the six-month period ended 30 September 2015

	<i>Attributable to equity shareholders of parent</i>						<i>Non-controlling interest</i>	
	<i>Capital</i>	<i>Statutory Reserve</i>	<i>Voluntary Reserve</i>	<i>Foreign currency translation adjustment</i>	<i>Retained earnings</i>	<i>Total</i>	<i>(SR '000)</i>	<i>Total</i>
	<i>(SR '000)</i>	<i>(SR '000)</i>	<i>(SR '000)</i>	<i>(SR '000)</i>	<i>(SR '000)</i>	<i>(SR '000)</i>	<i>(SR '000)</i>	<i>(SR '000)</i>
Balance as at 31 March 2014 (audited)	325,000	162,500	111,617	(1,000)	323,414	921,531	1,159	922,690
Net income for the period	-	-	-	-	81,668	81,668	202	81,870
Dividend declared (note 10)	-	-	-	-	(113,750)	(113,750)	-	(113,750)
Transfer to reserve	-	-	8,167	-	(8,167)	-	-	-
Foreign currency translation adjustments	-	-	-	225	-	225	(413)	(188)
Balance as at 30 September 2014 (unaudited)	325,000	162,500	119,784	(775)	283,165	889,674	948	890,622
Balance as at 31 March 2015 (audited)	325,000	162,500	125,713	(327)	335,121	948,007	1,225	949,232
Net income for the period	-	-	-	-	112,199	112,199	355	112,554
Dividend declared (note 10)	-	-	-	-	(113,750)	(113,750)	-	(113,750)
Transfer to reserve	-	-	11,220	-	(11,220)	-	-	-
Foreign currency translation adjustments	-	-	-	(181)	-	(181)	(542)	(723)
Balance as at 30 September 2015 (unaudited)	325,000	162,500	136,933	(508)	322,350	946,275	1,038	947,313



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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

At 30 September 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 interim consolidated financial statements, are primarily engaged in the production and distribution of dairy products, beverages and various foodstuff in the Kingdom of Saudi Arabia and certain Gulf and Arab countries.

At 30 September 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 prior 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, has been liquidated and the commercial registration has been cancelled dated 7 May 2015.

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard for Interim Financial Information issued by the Saudi Organization for Certified Public Accountants (SOCPA). These interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements of the Group for the year ended 31 March 2015.

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

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

At 30 September 2015

2. BASIS OF PREPARATION (continued)

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

(i) Impairment of available for sale investments

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

(ii) Impairment of non-financial assets

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

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

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

At 30 September 2015

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgments (continued)

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

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

(iii) Provision for impairment of trade receivables

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

(iv) Provision for slow moving inventory items

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

These interim consolidated financial statements include the interim consolidated financial statements of the 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 interim consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries are eliminated in preparing these interim consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidation. The attributable equity interest of third parties in the Group is included under the non-controlling interests caption in these interim consolidated financial statements.

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

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

At 30 September 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interim consolidated statement of changes in shareholders' equity. However, any non-temporary decline in value is charged to the interim consolidated statement of income. Fair value is determined by reference to the market value.

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

At 30 September 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 interim 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 interim consolidated statement of income.

Expenses

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

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.

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.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(continued)
At 30 September 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

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

Cash and cash equivalents

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

Provisions

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

Segment reporting

A segment is a distinguishable component of the 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 EQUIVALENTS

	<i>2015</i> <i>(Unaudited)</i> <i>(SR '000)</i>	<i>2014</i> <i>(Unaudited)</i> <i>(SR '000)</i>
Cash and cheques in hand	13,061	9,232
Balances with banks - current account	103,111	22,556
Short term bank deposits	45,000	-
	<u>161,172</u>	<u>31,788</u>

5 ACCOUNTS RECEIVABLE

	<i>2015</i> <i>(Unaudited)</i> <i>(SR '000)</i>	<i>2014</i> <i>(Unaudited)</i> <i>(SR '000)</i>
Trade receivables	186,048	170,243
Less: Provision for doubtful accounts	(18,739)	(17,673)
Net trade receivables	<u>167,309</u>	<u>152,570</u>
Net advances and other receivables	8,069	48,452
Due from related parties (note 7)	408	3,291
	<u>175,786</u>	<u>204,313</u>

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

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

At 30 September 2015

6 PROPERTY, PLANT AND EQUIPMENT

- (a) 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.
- (b) The additions during the period amounting to SR 23,989 thousand (2014: SR 70,472 thousand), mainly represent purchase of machinery for Dammam and Jeddah factories.

7 RELATED PARTY TRANSACTIONS AND BALANCES

- (a) Transactions with related parties were undertaken in the ordinary course of business at commercial terms and were approved by the management.
- (b) In addition to the disclosures set out in notes 1, 5 and 6 significant related party transactions for the period ended 30 September and balances arising there from are described as under:

Transactions with	Nature of transaction	Amount of transactions		(Due to) /from related parties	
		2015 (Unaudited) (SR '000)	2014 (Unaudited) (SR '000)	2015 (Unaudited) (SR '000)	2014 (Unaudited) (SR '000)
Affiliates	Net purchase of goods and services*	(6,629)	(10,664)	(7,566)	(6,647)
				<u>(7,566)</u>	<u>(6,647)</u>
Affiliates	Current account	(2,211)	(183)	408	3,291
				<u>408</u>	<u>3,291</u>

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

8 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. 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. Subsequent to the quarter ended 30 September 2015, the DZIT has encashed the bank guarantee.

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

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

At 30 September 2015

8 ZAKAT (continued)

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 has submitted a letter with the DZIT requesting them to correct errors in revised assessment.

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. In addition, the Company has lodged a bank guarantee with the DZIT for SR 5,270 thousands and paid SR 1,846 thousand "under protest". Recently, the DZIT issued revised assessment based on PAC decision with an additional Zakat liability of SR 4,027 thousands. The Company intends to make appropriate submission in this regard.

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.

9 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 the six-month period ended 30 September 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.

10 DIVIDEND

In the Annual General Assembly meeting of the Company held on 30 June 2015, the shareholders authorised a dividend of SR 3.5 per share (2014: SR 3.5 per share) amounting to SR 113,750 thousand (2014: SR 113,750 thousand), which was paid during the quarter ended 30 September 2015.

11 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.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(continued)

At 30 September 2015

12 COMMITMENTS AND CONTINGENCIES

- (a) At 30 September 2015, the Group has outstanding commitments for future capital expenditures amounting to SR 48,494 thousand (2014: SR 74,844 thousand).
- (b) As at 30 September 2015, the Group has a contingent liability of SR SR15,306 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 8).

13 APPROVAL OF FINANCIAL STATEMENTS

These interim consolidated financial statements were authorised for issue by the Board of Directors on 6 Muharram 1437H, corresponding to 19 October 2015.

14 COMPARATIVE FIGURES

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