

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

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS**

For the three-month period ended 30 June 2013



ERNST & YOUNG

P. O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia



KPMG

Al Fozan & Al Sadhan
P. O. Box 55078
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Kingdom of Saudi Arabia
License No. 46/11/323 issued 11/3/1992

LIMITED REVIEW REPORT TO THE SHAREHOLDERS OF SAUDI 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 June 2013, the related consolidated statements of income, cash flows, changes in shareholders' equity for the three-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 & Young

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KPMG Al Fozan & Al Sadhan

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11 Ramadan 1434H
Corresponding to 20 July 2013
Jeddah, Kingdom of Saudi Arabia

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

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at 30 June 2013

	<u>Notes</u>	<u>2013</u> (SR '000)	<u>2012</u> (SR '000)
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	4	55,804	52,148
Murabaha term deposit with a bank	5	75,000	150,000
Accounts receivable	6	237,300	216,175
Deposits, prepayments and other current assets		27,693	27,167
Inventories		252,886	250,300
Assets relating to a subsidiary held for disposal	9	3,988	9,027
Total current assets		652,671	704,817
Non-current assets:			
Investments	7	243	243
Property, plant and equipment	8	458,235	340,603
Total non-current assets		458,478	340,846
Total assets		1,111,149	1,045,663
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Accounts payable		57,276	51,343
Payable to affiliates		480	431
Accruals and other current liabilities		73,845	80,194
Accrued Zakat	11	16,664	18,805
Unpaid dividend	14	98,976	98,096
Liabilities relating to a subsidiary held for disposal	9	330	6,148
Total current liabilities		247,571	255,017
Non-current liability:			
Employees' end of service benefits		78,799	73,867
Total liabilities		326,370	328,884
Equity:			
Equity attributable to the Company's shareholders:			
Capital		325,000	325,000
Statutory reserve		162,500	162,500
Voluntary reserve		97,820	81,257
Foreign currency translation adjustments		(2,115)	(3,345)
Retained earnings		200,283	150,121
Total shareholders' equity		783,488	715,533
Non-controlling interests		1,291	1,246
Total equity		784,779	716,779
Total liabilities and equity		1,111,149	1,045,663

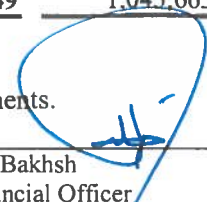


Mussad Abdullah Al Nassar
Member Board of Directors

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)
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INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

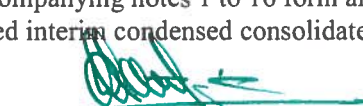
For the three-month period ended 30 June 2013

	<u>2013</u> (SR '000)	<u>2012</u> (SR '000)
Continuing operations:		
Sales – net	427,852	410,576
Cost of sales	<u>(299,387)</u>	<u>(283,733)</u>
Gross profit	128,465	126,843
Expenses:		
Selling and distribution	(72,221)	(73,023)
General and administrative	<u>(19,086)</u>	<u>(18,475)</u>
Total expenses	<u>(91,307)</u>	<u>(91,498)</u>
Operating income	37,158	35,345
Other income and expenses – net	585	693
Financial charges – net	<u>242</u>	<u>370</u>
Net income from continuing operations	37,985	36,408
Discontinuing operations:		
Net loss for the period from discontinuing operations (Note 9)	<u>(55)</u>	<u>(40)</u>
Net income before Zakat	37,930	36,368
Zakat (Note 11)	<u>(4,626)</u>	<u>(4,400)</u>
Net income for the period	33,304	31,968
Attributable to:		
Equity shareholders of the Parent	33,135	31,769
Non-controlling interests	<u>169</u>	<u>199</u>
Net income for the period	33,304	31,968
Earnings per share:		
- on operating income - SR (Note 13)	<u>1.14</u>	<u>1.09</u>
- on net income after Zakat - SR (Note 13)	<u>1.02</u>	<u>0.98</u>
- on net income attributable to equity shareholders of the Parent - SR (Note 13)	<u>1.02</u>	<u>0.98</u>

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SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the three-month period ended 30 June 2013

	<u>2013</u> (SR '000)	<u>2012</u> (SR '000)
Operating activities:		
Net income for the period	33,304	31,968
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	11,811	11,313
Non-controlling interests	(320)	(191)
Gain on disposal of property, plant and equipment	(10)	(446)
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivable	(17,602)	74,307
Decrease/(increase) in deposits, prepayments and other current assets	5,094	(8,898)
Decrease in inventories	42,509	2,805
Decrease in accounts payable	(51,386)	(69,479)
Decrease in payable to affiliates	(2,303)	(4,208)
Increase/(decrease) in accrued Zakat, accruals and other current liabilities	29,481	(6,655)
Employees' end of service benefits – net	462	825
Total adjustments	17,736	(627)
Net cash from operating activities	<u>51,040</u>	<u>31,341</u>
Investing activities:		
Changes in net assets directly associated with a subsidiary held for disposal	114	(390)
Sales proceeds of property, plant and equipment	10	631
Purchases of property, plant and equipment	(47,632)	(29,450)
Net cash used in investing activities	<u>(47,508)</u>	<u>(29,209)</u>
Net increase in cash and cash equivalents	3,532	2,132
Effect of exchange rate fluctuations on cash and cash equivalents	(807)	(1,695)
Cash and cash equivalents at the beginning of the period	53,079	51,711
Cash and cash equivalents at the end of the period	<u>55,804</u>	<u>52,148</u>

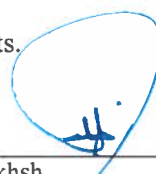
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SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the three-month period ended 30 June 2013

	Attributable to equity shareholders of the Parent						Non-controlling interest	Total equity
	Capital (SR '000)	Statutory reserve (SR '000)	Voluntary reserve (SR '000)	Foreign currency translation adjustments (SR '000)	Retained earnings (SR '000)	Total (SR '000)	(SR '000)	(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	--	--	--	--	31,769	31,769	199	31,968
Dividend declared (Note 14)	--	--	--	--	(97,500)	(97,500)	--	(97,500)
Transfer to reserves	--	--	3,177	--	(3,177)	--	--	--
Board of directors' remuneration (Note 12 (d))	--	--	--	--	(350)	(350)	--	(350)
Foreign currency translation adjustments	--	--	--	(1,695)	--	(1,695)	(191)	(1,886)
Balance at 30 June 2012	325,000	162,500	81,257	(3,345)	150,121	715,533	1,246	716,779
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	--	--	--	--	33,135	33,135	169	33,304
Dividend declared (Note 14)	--	--	--	--	(97,500)	(97,500)	--	(97,500)
Transfer to reserves	--	--	3,314	--	(3,314)	--	--	--
Board of directors' remuneration (Note 12 (d))	--	--	--	--	(350)	(350)	--	(350)
Foreign currency translation adjustments	--	--	--	(807)	--	(807)	(320)	(1,127)
Balance at 30 June 2013	325,000	162,500	97,820	(2,115)	200,283	783,488	1,291	784,779

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

Mussad Abdullah Al Nassar
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SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month period ended 30 June 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 June 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)



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SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**

For the three-month period ended 30 June 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.



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

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

For the three-month period ended 30 June 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
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Chief Financial Officer

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

For the three-month period ended 30 June 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 conform to 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.



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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**
For the three-month period ended 30 June 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.

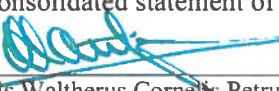
Dividend income is recognised when the right to receive the dividend is established.

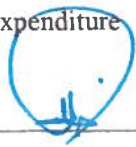
(e) Property, plant and equipment and depreciation

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.


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

For the three-month period ended 30 June 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.



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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For the three-month period ended 30 June 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.

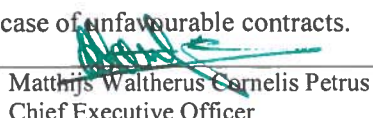
Exchange difference, arising from the translation of foreign currency financial statements of subsidiaries are allocated to the shareholders of the Parent Company and non-controlling shareholders in proportion to their ownership interests in the investee companies. SADAFCO's share in exchange difference 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

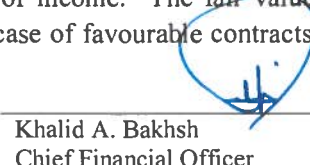
The Group uses interest rate swaps to strategically hedge its risk against interest rate movements and thus hedge accounting is not followed. The interest rate swaps are included in the interim consolidated balance sheet at fair value and any resultant gain or loss is recognized in the interim consolidated 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.



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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For the three-month period ended 30 June 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 June, comprise the following:

	<u>2013</u> (SR '000)	<u>2012</u> (SR '000)
Cash and cheques in hand	16,939	19,380
Balances with banks - current account	<u>38,865</u>	<u>32,768</u>
	<u>55,804</u>	<u>52,148</u>

5. MURABAHA TERM DEPOSIT WITH A BANK

During the period ended 31 March 2013, the Company had entered into a new Murabaha deposit amounting to SR 75 million with United Gulf Bank, Bahrain (a related party) at commercial terms maturing on 08 July 2013.



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SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED
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For the three-month period ended 30 June 2013

6. ACCOUNTS RECEIVABLE

Accounts receivable at 30 June comprise the following:

	<u>2013</u> (SR '000)	<u>2012</u> (SR '000)
Trade receivables	201,704	202,429
Less: Provision for doubtful accounts	<u>(16,165)</u>	<u>(16,350)</u>
Net trade receivables	185,539	186,079
Net advances and other receivables	47,870	21,650
Related parties (Note 12)	<u>3,891</u>	<u>8,446</u>
	<u>237,300</u>	<u>216,175</u>

7. INVESTMENTS

(a) Investment at 30 June 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	<u>(1,093)</u>	<u>(1,093)</u>
	<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



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Chief Executive Officer



Khalid A. Bakhsh
Chief Financial Officer

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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 47,632 thousand (2012: SR 29,450 thousand), mainly represent purchase of machinery for Dammam and Jeddah factories . 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 June are presented below:

	For the three-month period 30 June	
	<u>2013</u>	<u>2012</u>
	(SR '000)	(SR '000)
Expenses and net loss for the period from discontinuing operations	<u>(55)</u>	<u>(40)</u>



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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 June, are as follows:

	<u>2013</u> (SR '000)	<u>2012</u> (SR '000)
Assets:		
Property, plant and equipment	--	4,625
Others	<u>3,988</u>	<u>4,402</u>
Assets classified as held for disposal	<u>3,988</u>	<u>9,027</u>
Liabilities:		
Payables	--	--
Accrued liabilities	<u>330</u>	<u>6,148</u>
Liabilities classified as held for disposal	<u>330</u>	<u>6,148</u>
Net assets/(liabilities) directly associated with subsidiary held for disposal	<u>3,658</u>	<u>2,879</u>

10. COMMITMENTS, CONTINGENCIES AND DERIVATIVE CONTRACTS


- (a) At 30 June 2013, the Group have outstanding commitments for future capital expenditures amounting to SR 50,837 thousand (2012: SR 30,411 thousand).
- (b) As at 30 June 2013, the Group has a contingent liability of SR 17,769 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 Company's petition to review BOG's decision supporting DZIT's contentions for the years 1997 through 2002 is currently under consideration by BOG higher authorities. Based on HAC's decision, the DZIT assessed additional Zakat liability of SR 8,254. SADAFCO has lodged bank guarantees with the DZIT amounting to SR 7,765 thousand for years 1997 through 2002.

The DZIT assessed additional zakat liability of SR 5,135 thousands for the years 2003 and 2004. 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 SR 5,382 thousand for years 2003 and 2004.


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11. 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 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 zakat liability of SR 9,235 thousand. The Company paid SR 1,846 thousand "under protest" and filed an appeal against the remaining zakat liability.

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 June 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) (Unaudited)	<u>2012</u> (SR '000) (Unaudited)	<u>2013</u> (SR '000) (Unaudited)	<u>2012</u> (SR '000) (Unaudited)
Affiliates/Jointly controlled entity	Purchase of goods and services *	179	4,208	(480)	(431)
				<u>(480)</u>	<u>(431)</u>
Affiliates	Current account	(18)	372	3,891	8,446
				<u>3,891</u>	<u>8,446</u>

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

(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 June 2013 (2012: 1,125 thousand).

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12. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (d) Board of Directors' remuneration amounting to SR 350 thousand (2012: SR 350 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 three-months ended 30 June 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).

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 20 July 2013.



Mussad Abdullah Al Nassar
Member Board of Directors



Matthijs Waltherus Cornelis Petrus
Chief Executive Officer



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Chief Financial Officer