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

CONSOLIDATED FINANCIAL STATEMENTS
31 March 2014
with
INDEPENDENT AUDITORS' REPORT

Ernst & Young & Co. (Public Accountants)
13th Floor - King's Road Tower
King Abdulaziz Road
P. O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Registration Number: 45

Al Fozan & Al Sadhan
9th Floor, Tower A, Zahran Business Centre
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
License No. 46/11/323 issued 11/3/1992

AUDITORS' REPORT

The Shareholders
Saudia Dairy & Foodstuff Company (SADAFCO)
(Saudi joint stock company)
Jeddah, Kingdom of Saudi Arabia.

Scope of audit:
We have audited the consolidated balance sheet of Saudia Dairy & Foodstuff Company (SADAFCO) ("the Company") and its subsidiaries ("the Group") at 31 March 2014 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the accompanying notes 1 to 24 which form an integral part of these consolidated financial statements. These consolidated financial statements are the responsibility of the Company's Board of Directors and have been prepared by them in accordance with the provisions of Article 123 of the Regulations for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

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

1. present fairly in all material respects the consolidated financial position of Saudia Dairy & Foodstuff Company (SADAFCO) and its subsidiaries at 31 March 2014 and the results of the Group's operations and cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

2. comply with the requirements of the Regulations for Companies and the Company's Articles of Association in so far as they affect the preparation and presentation of the consolidated financial statements.

Ernst & Young:

Ahmed I. Reda
Certified Public Accountant
License No. 356

KPMG Al Fozan & Al Sadhan:

Ebrahim O. Baeshen
Certified Public Accountant
License No. 382

26 Rajab 1435H
Corresponding to 25 May 2014
Jeddah, Kingdom of Saudi Arabia

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

CONSOLIDATED BALANCE SHEET
As at 31 March 2014

	Notes	2014 (SR '000)	2013 (SR '000)
ASSETS			
Current assets:			
Cash and cash equivalents	4	**112,913**	53,079
Murabaha term deposit with a bank	5	**--**	75,000
Accounts receivable	6	**171,527**	219,698
Deposits, prepayments and other current assets	7	**44,106**	32,787
Inventories	8	**308,421**	295,395
Assets relating to a subsidiary held for disposal	9	**3,159**	4,068
Total current assets		**640,126**	680,027
Non-current assets:			
Investments	10	**243**	243
Property, plant and equipment	11(a)	**497,678**	422,414
Total non-current assets		**497,921**	422,657
Total assets		**1,138,047**	1,102,684
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable		**56,859**	108,662
Accruals and other current liabilities		**60,145**	46,599
Payable to related party	18	**636**	2,783
Accrued Zakat	17(c)	**14,530**	13,720
Unpaid dividend		**2,207**	1,835
Liabilities relating to a subsidiary held for disposal	9	**425**	296
Total current liabilities		**134,802**	173,895
Non-current liability:			
Employees' end of service benefits		**80,555**	78,337
Total liabilities		**215,357**	252,232
Equity:			
Equity attributable to the Company's shareholders:			
Capital	12(a)	**325,000**	325,000
Statutory reserve	12(b)	**162,500**	162,500
Voluntary reserve	12(c)	**111,617**	94,506
Foreign currency translation adjustments		**(1,000)**	(1,308)
Retained earnings		**323,414**	268,312
Total shareholders' equity		**921,531**	849,010
Non-controlling interests		**1,159**	1,442
Total equity		**922,690**	850,452
Total liabilities and equity		**1,138,047**	1,102,684

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Khalid A. Bakhsh
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

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

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 March 2014

	Notes	2014 (SR '000)	2013 (SR '000)
Continuing operations:			
Sales – net		**1,552,824**	1,549,023
Cost of sales		**(1,059,683)**	(1,073,989)
Gross profit		**493,141**	475,034
Expenses:			
Selling and distribution	13	**(239,982)**	(235,557)
General and administrative	14	**(69,209)**	(63,897)
Total expenses		**(309,191)**	(299,454)
Operating income		**183,950**	175,580
Other income – net		**751**	919
Financial income – net		**1,289**	2,043
Net income from continuing operations		**185,990**	178,542
Discontinuing operations:			
Net loss from discontinuing operations	9	**(103)**	(101)
Net income before Zakat		**185,887**	178,441
Zakat	17(a)	**(14,353)**	(13,720)
Net income		**171,534**	164,721
Attributable to:			
Equity shareholders of the Parent		**171,113**	164,259
Non-controlling interests		**421**	462
Net income		**171,534**	164,721
Earnings per share:			
- on operating income - SR	19	**5.66**	5.40
- on net income - SR	19	**5.28**	5.07
- on net income attributable to equity shareholders of the Parent - SR	19	**5.27**	5.05

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar Member Board of Directors	Waltherus Cornelis Petrus Matthijs Chief Executive Officer	Khalid A. Bakhsh Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2014

	Notes	2014 (SR '000)	2013 (SR '000)
Cash flows from operating activities:			
Net income		**171,534**	164,721
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	11(b)	**56,959**	45,894
Non-controlling interests		**(704)**	(258)
Gain on disposal of property, plant and equipment		**(503)**	(1,258)
		55,752	44,378
Changes in operating assets and liabilities:			
Decrease in accounts receivable		**48,171**	70,784
Increase in deposits, prepayments and other current assets		**(11,319)**	(14,518)
Increase in inventories		**(13,026)**	(42,290)
Decrease in accounts payable		**(51,803)**	(12,160)
Decrease in payable to related party		**(2,147)**	(1,855)
Increase / (decrease) in accrued Zakat, accruals and other current liabilities		**13,328**	(45,147)
Employees' end of service benefits – net		**2,218**	5,295
Total adjustments		**(14,578)**	(39,891)
Net cash generated from operating activities		**212,708**	169,208
Cash flows from investing activities:			
Changes in net assets directly associated with a subsidiary held for disposal		**1,038**	(1,283)
Net movement in Murabaha term deposit		**75,000**	75,000
Sale proceeds from disposal of property, plant and equipment		**2,930**	2,119
Purchases of property, plant and equipment	11(a)	**(134,650)**	(146,518)
Net cash used in investing activities		**(55,682)**	(70,682)
Cash flow from financing activities:			
Dividend paid	20	**(97,500)**	(97,500)
Net change in cash and cash equivalents		**59,526**	1,026
Effect of exchange rate fluctuations on cash and cash equivalents		**308**	342
Cash and cash equivalents at the beginning of the Year		**53,079**	51,711
Cash and cash equivalents at the end of the year	4	**112,913**	53,079

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Khalid A. Bakhsh
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2014

	Attributable to equity shareholders of the Parent							
	Capital (SR '000)	Statutory reserve (SR '000)	Voluntary reserve (SR '000)	Foreign currency translation adjustments (SR '000)	Retained earnings (SR '000)	Total (SR '000)	Non controlling interest (SR '000)	Total equity (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	--	--	--	--	164,259	164,259	462	164,721
Dividend paid (Note 20)	--	--	--	--	(97,500)	(97,500)	--	(97,500)
Transfer to reserves	--	--	16,426	--	(16,426)	--	--	--
Board of directors' remuneration (Note 18 (d))	--	--	--	--	(1,400)	(1,400)	--	(1,400)
Foreign currency translation adjustments	--	--	--	342	--	342	(258)	84
Balance at 31 March 2013	325,000	162,500	94,506	(1,308)	268,312	849,010	1,442	850,452
Net income	--	--	--	--	171,113	171,113	421	171,534
Dividend paid (Note 20)	--	--	--	--	(97,500)	(97,500)	--	(97,500)
Transfer to reserves	--	--	17,111	--	(17,111)	--	--	--
Board of directors' remuneration (Note 18 (d))	--	--	--	--	(1,400)	(1,400)	--	(1,400)
Foreign currency translation adjustments	--	--	--	308	--	308	(704)	(396)
Balance at 31 March 2014	**325,000**	**162,500**	**111,617**	**(1,000)**	**323,414**	**921,531**	**1,159**	**922,690**

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

(a) Saudia Dairy and Foodstuff Company (SADAFCO) ("the Company" or "the Parent") is a Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030009917 dated 21 Rabi Al-Thani 1396H, corresponding to 21 April 1976. The Company and its subsidiaries (listed in Note 1(b)), collectively described as the "Group" in these consolidated financial statements, are primarily engaged in the production and distribution of dairy products, beverages and various foodstuff in the Kingdom of Saudi Arabia and certain Gulf and Arab countries.

(b) At 31 March 2014, the Company has investments in the following subsidiaries:

Name	Principal activities	Country of incorporation	SADAFCO's beneficial interest
SADAFCO Foodstuff Company LLC ^	Foodstuff and dairy products	United Arab Emirates (UAE)	100%
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 of the Company has not changed from the previous year.

*The above subsidiaries have not yet commenced their operations.

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

Other subsidiary:

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

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

These consolidated financial statements have been prepared on historical cost basis.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant areas where the management of the Group has used estimates, assumptions or exercised judgements 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.

2. BASIS OF PREPARATION (Continued)

(d) Use of estimates and judgments (continued)

(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.

(iii) Provision for impairment of accounts receivable

A provision for impairment of accounts receivable 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 accounts 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 and obsolete inventory items

The Group makes a provision for slow moving and obsolete 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. Provision is made, where necessary for obsolete and slow moving inventory.

Mussad Abdullah Al Nassar Member Board of Directors	Waltherus Cornelis Petrus Matthijs Chief Executive Officer	Khalid A. Bakhsh Chief Financial Officer

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

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

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases.

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

The attributable equity interest of third parties in the Group is included under the non-controlling interests caption in these consolidated financial statements. Non-controlling interest represents the portion of profit and loss and net assets that are not held by the Group that are presented separately in the consolidated statement of income and within equity in the consolidated balance sheet separately from parent shareholder's equity.

(b) Assets relating to a subsidiary held for disposal

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

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

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Assets relating to a subsidiary held for disposal (continued)

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

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

A disposal group qualifies as discontinued operation if it is:

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

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

(c) Cash and cash equivalents

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

(d) Accounts receivable

Accounts receivable 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.

(e) 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.

Mussad Abdullah Al Nassar Member Board of Directors	Waltherus Cornelis Petrus Matthijs Chief Executive Officer	Khalid A. Bakhsh Chief Financial Officer

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) 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 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.

(g) Property, plant and equipment and depreciation

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

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

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

The depreciation rates determined on the basis of estimated useful lives of assets for current and comparative periods are as follows:

	%
Buildings	2.5-10
Machinery and equipment	10-33
Vehicles and trailers	15-25
Furniture, fixtures and office equipment	10-25

(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 consolidated statement of income. Additional amounts, if any, that may become due on finalisation of an assessment are accounted for in the year in which assessment is finalised.

Mussad Abdullah Al Nassar Member Board of Directors	Waltherus Cornelis Petrus Matthijs Chief Executive Officer	Khalid A. Bakhsh Chief Financial Officer

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) Employees' end of service benefits

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

(k) Operating lease payments

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

(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 retranslated to Saudi Arabian Riyals (for Parent Company) or the relevant currencies (for subsidiaries) at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the consolidated statement of income.

Exchange differences, 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 differences is recorded as a separate component of consolidated shareholders' equity, whereas amounts relating to the non-controlling shareholders are included under non-controlling interests in the consolidated balance sheet.

(m) Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Mussad Abdullah Al Nassar Member Board of Directors	Waltherus Cornelis Petrus Matthijs Chief Executive Officer	Khalid A. Bakhsh Chief Financial Officer

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Derivative financial instruments

The Company 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 consolidated balance sheet at fair value and any resultant gain or loss is recognized in the 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.

(o) 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.

(p) 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.

(q) Revenue recognition

Sales are recognized when products are delivered or shipped to customers and risk and reward of ownership have passed. Sales represent the invoiced value of the goods supplied during the year, net of discounts and returns.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 31 March, comprise the following:

	2014 (SR '000)	2013 (SR '000)
Cash and cheques in hand	**14,477**	13,332
Balances with banks – current account	**98,436**	39,747
	112,913	53,079

5. MURABAHA TERM DEPOSIT WITH A BANK

During the year ended 31 March 2014, Murabaha deposit amounting to SR 75 million with United Gulf Bank, Bahrain (a related party) matured.

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

6. ACCOUNTS RECEIVABLE

Accounts receivable at 31 March, comprise the following:

	2014 (SR '000)	2013 (SR '000)
Trade receivable	**171,248**	185,156
Less: Provision for doubtful accounts	**(17,066)**	(17,189)
Net accounts receivable	**154,182**	167,967
Net advances and other receivables	**13,870**	47,822
Related parties (Note 18(b))	**3,475**	3,909
	171,527	219,698

Movement in the provision for doubtful accounts receivable is as follows:

	2014 (SR '000)	2013 (SR '000)
Balance at the beginning of the year	**17,189**	15,362
(Reversal) / charge for the year	**(123)**	1,827
Balance at the end of the year	**17,066**	17,189

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

	Total (SR 000)	*Neither past due nor impaired (SR 000)*	*< 30 days (SR 000)*	*30 – 60 days (SR 000)*	*60 – 90 days (SR 000)*
2014	**154,182**	**122,542**	**20,972**	**7,477**	**3,191**
2013	167,967	134,853	22,260	7,798	3,056

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of SADAFCO to obtain collateral over receivables.

Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Khalid A. Bakhsh
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

7. DEPOSITS, PREPAYMENTS AND OTHER CURRENT ASSETS

Deposits, prepayments and other current assets at 31 March, comprise the following:

	2014 (SR '000)	2013 (SR '000)
Prepayments	**32,258**	19,128
Security and other deposits	**11,691**	12,375
Others	**157**	1,284
	44,106	32,787

8. INVENTORIES

Inventories at 31 March, comprise the following:

	2014 (SR'000)	2013 (SR'000)
Raw and packing materials	**126,120**	169,086
Finished goods	**62,934**	60,167
Spare parts, supplies and other items	**26,060**	19,938
Goods-in-transit	**102,910**	54,098
	318,024	303,289
Less: Provision for slow moving and obsolete inventory	**(9,603)**	(7,894)
	308,421	295,395

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

	2014 (SR '000)	2013 (SR '000)
Balance at the beginning of the year	**7,894**	9,222
Charge for the year	**2,500**	221
Write-off	**(791)**	(1,549)
Balance at the end of the year	**9,603**	7,894

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

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 30 September 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 in respect of other accrued expenses. The legal formalities relating to the liquidation are still in progress.

The results of the subsidiary held for disposal, for the year ended 31 March, are presented below:

	2014 (SR '000)	2013 (SR '000)
Expenses and net loss from discontinuing operations	**(103)**	(101)

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

	2014 (SR '000)	2013 (SR '000)
Assets:		
Receivables	--	125
Others	**3,159**	3,943
Assets classified as held for disposal	**3,159**	4,068
Liabilities:		
Accrued liabilities - liabilities classified as held for disposal	**425**	296
Net assets directly associated with subsidiary held for disposal	**2,734**	3,772

10. INVESTMENTS

(a) Investments at 31 March, comprise the following:

	2014 (SR'000)	2013 (SR'000)
Investments available for sale (unquoted)	**1,336**	1,336
Less: Provision for non-temporary decline in value	**(1,093)**	(1,093)
	243	243

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

11. PROPERTY, PLANT AND EQUIPMENT

(a) The movement in property, plant and equipment for the year ended 31 March, 2014 is analysed as follows:

	Land and buildings (SR'000)	Machinery and equipment (SR'000)	Vehicles and trailers (SR'000)	Furniture, fixtures and office equipment (SR'000)	Capital work-in-progress (SR'000)	Total (SR'000)
Cost :						
Balance at April 1, 2013	238,607	569,431	182,327	65,330	158,112	1,213,807
Additions during the year	203	8,587	3,464	392	122,004	134,650
Disposals during the year	--	(4,812)	(611)	(168)	--	(5,591)
Transfers from capital work-in-progress	27,485	161,243	26,229	4,141	(219,098)	--
Balance at March 31, 2014	266,295	734,449	211,409	69,695	61,018	1,342,866
Accumulated depreciation:						
Balance at April 1, 2013	153,107	456,704	128,042	53,540	--	791,393
Charge for the year	6,518	28,910	17,232	4,299	--	56,959
Disposals	--	(2,087)	(862)	(215)	--	(3,164)
Balance at March 31, 2014	159,625	483,527	144,412	57,624	--	845,188
Net book value:						
At 31 March 2014	**106,670**	**250,922**	**66,997**	**12,071**	**61,018**	**497,678**
At 31 March 2013	85,500	112,727	54,285	11,790	158,112	422,414

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

11. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2014 **(SR'000)**	2013 (SR'000)
Cost of sales	**29,483**	22,304
Selling and distribution expenses (note 13)	**25,589**	21,993
General and administrative expenses (note 14)	**1,887**	1,597
	56,959	45,894

(c) The ownership interest of the Company in certain freehold land held in Madinah amounting to SR 1,538 thousand (2013: SR 1,538 thousand) is through a shareholder of the Company. The Company holds legal documents confirming its beneficial interest.

(d) The additions during the year amounting to SR 134,650 thousand (2013: SR 146,518 thousand), mainly represent purchase of machinery for Dammam, Jeddah factories and the expansion of Riyadh Distribution Centre.

12. SHAREHOLDERS' EQUITY

(a) **Capital**
The capital of the Company is SR 325,000 thousand (2013: SR 325,000 thousand) divided into 32,500 thousand shares of SR 10 each, which is fully paid.

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

(c) **Voluntary reserve**
In the prior years, the shareholders decided to create a voluntary reserve by transfer of ten percent of the net income attributable to equity shareholders of the parent Company to the reserve. The utilization of this reserve is at the discretion of the shareholders. In the current year, transfer has been made to the voluntary reserve, subject to the final approval at the Annual General Meeting.

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

13. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the year ended 31 March, comprise the following:

	2014 (SR'000)	2013 (SR'000)
Employee costs	**103,241**	93,598
Advertising and sales promotion	**71,304**	86,883
Depreciation (note 11b)	**25,589**	21,993
Repairs and maintenance costs	**8,231**	8,995
Insurance	**4,347**	3,356
Rent	**2,620**	1,720
Communication	**1,991**	1,609
Others	**22,659**	17,403
	239,982	235,557

14. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended 31 March, comprise the following:

	2014 (SR'000)	2013 (SR'000)
Employee costs	**49,890**	46,350
Depreciation (note 11b)	**1,887**	1,597
Professional fees	**3,925**	3,480
Travel and other expenses	**4,103**	4,492
Repairs and maintenance costs	**1,258**	1,412
Communication	**1,306**	678
Insurance	**491**	297
Rent	**180**	180
Others	**6,169**	5,411
	69,209	63,897

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

15. OPERATING LEASES

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

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

	2014 (SR'000)	2013 (SR'000)
Not later than one year	**3,971**	4,303
Later than one year but not later than five years	**3,339**	1,975
Later than five years	**79**	31
	7,389	6,309

16. COMMITMENTS AND CONTINGENCIES

(a) At 31 March 2014, the Group has outstanding commitments for future capital expenditures amounting to SR 87,546 thousand (2013: SR 46,569 thousand).

(b) As at 31 March 2014, the Group has a contingent liability of SR 10,004 thousand (2013: SR 17,769 thousand) in respect of guarantees issued by the Company's bankers on behalf of a subsidiary for guarantees issued to the Department of Zakat and Income Tax (Note 17).

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

17. ZAKAT

(a) Charge for the year

Zakat and income tax charge for the year ended 31 March, comprise the following:

	2014 (SR'000)	2013 (SR'000)
Charge for the year	**14,353**	13,720

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

	2014 (SR'000)	2013 (SR'000)
Capital	**325,000**	325,000
Adjusted net income	**181,813**	175,059
Adjusted reserves, provisions and others at the beginning of the year	**636,310**	472,811
Deduction for long-term assets	**(586,608)**	(416,766)
Deduction for investments	**(7,000)**	(7,294)
	549,515	548,810

(c) Accrued Zakat

The movement in accrued Zakat during the year ended 31 March is as follows:

	2014 (SR'000)	2013 (SR'000)
Balance at beginning of the year	**13,720**	14,405
Payments during the year	**(13,543)**	(14,405)
Charge for the year	**14,353**	13,720
Balance at end of the year	**14,530**	13,720

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

17. ZAKAT (continued)

(d) Status of 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". SADAFCO will seek its refund on favourable resolution of the matter.

The DZIT raised final assessments for the years 2003 and 2004 with an additional Zakat liability of SR 5,135 thousand. The Company's appeal against the Higher Appeal Committee (HAC) decision is awaiting review by the BOG. SADAFCO has submitted a bank guarantee with the DZIT amounting to SR 5,382 thousand for years 2003 and 2004.

The DZIT raised assessments for the years ended 31 March 2005 through 31 March 2007 with an additional Zakat liability of SR 4,742 thousand based on Preliminary Appeal Committee PAC decision. The Company has filed an appeal with the HAC against the PAC decision. SADAFCO has sumbitted 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 decisions for the disallowed items shall be in the favour of the Company therefore no additional provision required.

The DZIT has not yet raised assessments for the years 2012 and 2013.

18. 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, 9, 11 and 16, significant related party transactions for the year ended 31 March 2014 and balances arising there from are described as under:

Mussad Abdullah Al Nassar Member Board of Directors	Waltherus Cornelis Petrus Matthijs Chief Executive Officer	Khalid A. Bakhsh Chief Financial Officer

18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions with	Nature of transaction	Amount of transactions 2014 (SR '000)	Amount of transactions 2013 (SR '000)	Closing balance Receivable/(Payable) 2014 (SR '000)	Closing balance Receivable/(Payable) 2013 (SR '000)
Payable to affiliates					
Affiliates	Purchases of goods and services*	**(2,682)**	(5,451)	**(636)**	(2,783)
	Net settlement against purchase of goods and services*	**4,828**	7,306	**--**	--
				(636)	(2,783)
Receivable from affiliates					
Affiliates	Current account	**(434)**	601	**3,475**	3,909
	Sale of subsidiary	**--**	(4,767)	**--**	--
				3,475	3,909

*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 1,000 thousand for the year ended 31 March 2014 (2013: SR 2,906 thousand).

(d) Board of Directors' remuneration amounting to SR 1,400 thousand (2013: SR 1,400 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 consolidated statement of changes in shareholders' equity.

Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Khalid A. Bakhsh
Chief Financial Officer

19. EARNINGS PER SHARE

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

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

Earnings per share attributable to equity holders of the Parent 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 year.

The weighted average number of ordinary shares outstanding during the year ended 31 March 2014 was 32.5 million (31 March 2013: 32.5 million) shares of SR 10 each. The calculation of diluted earnings per share is not applicable to the Company.

20. DIVIDEND

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

21. RISK MANAGEMENT

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

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

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

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

21. RISK MANAGEMENT (continued)

Market risk

Commission arises from the possibility that changes in commission rates will affect future profitability or the fair values of financial instruments. The Group is subject to commission rate risk on its bank deposits and Murabaha term deposit.

The management limits the Group's interest rate risk by monitoring changes in interest rates in the currencies in which its interest bearing assets are denominated and uses interest rate swaps to strategically hedge its risk.

Currency risk

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. Further the Group has exposure to credit risk with respect to term and other deposits with banks. The Group manages this risk by depositing and investing in banks with sound credit ratings. At the balance sheet date, no significant concentrations of credit risk were identified by management. The Group sells its products to large number of customers. The five largest customers account for 42 % (2013 : 41%) of outstanding accounts receivable at 31 March.

Liquidity risk

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

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

Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Khalid A. Bakhsh
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

21. RISK MANAGEMENT (continued)

Operational risk

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

22. FAIR VALUES OF FINANCIAL INSTRUMENTS

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

23. 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.

24. APPROVAL OF FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors on 26 Rajab 1435H, corresponding to 25 May 2014.

Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Khalid A. Bakhsh
Member Board of Directors	Chief Executive Officer	Chief Financial Officer