

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2019 AND REPORT ON REVIEW
OF INTERIM FINANCIAL INFORMATION

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2019

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Report on review of condensed consolidated interim financial information

To the Shareholders of Saudia Dairy & Foods Company (SADAFCO):
(A Saudi Joint Stock Company)

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudia Dairy & Foodstuff Company (the "Company" or "SADAFCO"), together with its subsidiaries (collectively referred to as the "Group") as of June 30, 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, as endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, as endorsed in the Kingdom of Saudi Arabia.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

July 25, 2019



SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss
 (All amounts in Saudi Riyals thousands unless otherwise stated)

Note	Three-month period ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Revenue – net		
Cost of revenue		
Gross profit		
	485,232	410,171
	(328,759)	(276,649)
	156,473	133,522
Selling and distribution expenses		
General and administrative expenses		
Other operating income		
Impairment loss on financial assets		
Operating profit		
	(70,431)	(57,969)
	(27,001)	(25,197)
	808	820
	(910)	(375)
	58,939	50,801
Finance income		
Profit before zakat		
	3,298	2,999
	62,237	53,800
Zakat		
Profit for the period		
	(4,331)	(3,772)
	57,906	50,028
Profit is attributable to:		
Owners of SADAFCO		
Non-controlling interests		
	58,283	50,200
	(377)	(172)
	57,906	50,028
Earnings per share:		
Basic and dilutive earnings per share (Saudi Riyals) attributable to owners of SADAFCO		
	1.82	1.54

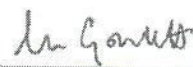
The notes from 1 to 16 form part of this condensed consolidated interim financial information.



Mussad Abdullah Al Nassar
Member Board of Directors



Waltherus Cornelis Petrus Matthijs
Chief Executive Officer



Ian David Gowllett
Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of comprehensive income
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Profit for the period	57,906	50,028
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Exchange difference on translation of foreign operations	128	814
<i>Items that will not to be reclassified to profit or loss</i>		
Re-measurement gain on employee benefit obligations	-	-
Other comprehensive income for the period	128	814
Total comprehensive income for the period	58,034	50,842
Total comprehensive income for the period is attributable to:		
Owners of SADAFCO	58,409	50,989
Non-controlling interests	(375)	(147)
	58,034	50,842


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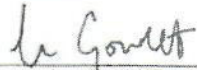
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	7	786,204	787,021
Intangible assets		28,117	28,713
Right-of-use assets	8	64,878	-
Other non-current assets		5,080	4,904
		<u>884,279</u>	<u>820,638</u>
Current assets			
Inventories		308,374	277,417
Trade and other receivables		200,987	192,792
Deposits, prepayments and other assets		34,453	42,840
Cash and cash equivalents		624,654	582,055
		<u>1,168,468</u>	<u>1,095,104</u>
Total assets		<u>2,052,747</u>	<u>1,915,742</u>
Equity			
Issued share and paid up capital		325,000	325,000
Statutory reserve		162,500	162,500
Other reserves	14	235,590	229,762
Treasury shares		(51,559)	(51,559)
Foreign currency translation reserves		(399)	(525)
Retained earnings		661,722	673,267
Equity attributable to owners of SADAFCO		<u>1,332,854</u>	<u>1,338,445</u>
Non-controlling interests		19,039	19,414
Total equity		<u>1,351,893</u>	<u>1,357,859</u>
Liabilities			
Non-current liabilities			
Employee benefit obligations		110,125	109,576
Lease liabilities	9	47,289	-
Non-controlling interest put option		25,508	24,088
Non-current portion of contingent consideration payable		3,875	3,845
		<u>186,797</u>	<u>137,509</u>
Current liabilities			
Current portion of lease liabilities	9	12,997	-
Trade and other payables		192,016	198,086
Accruals and other liabilities		219,087	200,955
Dividends payable		67,077	3,077
Due to related parties	11	2,360	2,067
Zakat payable	10	20,520	16,189
		<u>514,057</u>	<u>420,374</u>
Total liabilities		<u>700,854</u>	<u>557,883</u>
Total equity and liabilities		<u>2,052,747</u>	<u>1,915,742</u>

The notes from 1 to 16 form part of this condensed consolidated interim financial information.


Mussad Abdullah Al Nassar
Member Board of Directors


Waltherus Cornelis Petrus Matthijs
Chief Executive Officer


Ian David Gowellt
Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Attributable to owners of SADAFCO								
	Issued share and paid up capital	Statutory reserve	Other reserves	Treasury shares	Foreign currency translation reserves	Retained earnings	Total	Non- controlling interests	Total equity
Balance at April 1, 2018 (audited)	325,000	162,500	207,923	-	(1,315)	627,042	1,321,150	222	1,321,372
Profit (loss) for the period	-	-	-	-	-	50,200	50,200	(172)	50,028
Other comprehensive income	-	-	-	-	789	-	789	25	814
Total comprehensive income (loss) for the period	-	-	-	-	789	50,200	50,989	(147)	50,842
Transfer to other reserves (Note 14)	-	-	5,020	-	-	(5,020)	-	-	-
Balance at June 30, 2018 (unaudited)	325,000	162,500	212,943	-	(526)	672,222	1,372,139	75	1,372,214
Balance at April 1, 2019 (audited)	325,000	162,500	229,762	(51,559)	(525)	673,267	1,338,445	19,414	1,357,859
Profit (loss) for the period	-	-	-	-	-	58,283	58,283	(377)	57,906
Other comprehensive income	-	-	-	-	126	-	126	2	128
Total comprehensive income (loss) for the period	-	-	-	-	126	58,283	58,409	(375)	58,034
Dividends declared (Note 15)	-	-	-	-	-	(64,000)	(64,000)	-	(64,000)
Transfer to other reserves (Note 14)	-	-	5,828	-	-	(5,828)	-	-	-
Balance at June 30, 2019 (unaudited)	325,000	162,500	235,590	(51,559)	(399)	661,722	1,332,854	19,039	1,351,893

The notes from 1 to 16 form part of this condensed consolidated interim financial information.



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Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended June 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Profit before zakat	62,237	53,800
<u>Adjustments for:</u>		
Depreciation	23,167	16,511
Amortization of intangible assets	596	-
Gain on disposal of property, plant and equipment	(280)	(519)
Impairment loss on financial assets	910	375
Finance costs on lease liabilities	642	-
Finance costs on non-controlling interest put option	1,420	-
Finance costs on contingent consideration payable	30	-
Provision for employee benefit obligations	3,923	3,775
Other	(176)	-
	92,469	73,942
<u>Changes in:</u>		
Inventories	(30,957)	30,571
Trade and other receivables	(9,105)	(18,401)
Deposits, prepayments and other assets	3,600	1,009
Trade and other payables	(6,070)	18,243
Due to related parties	293	304
Accruals and other liabilities	19,517	187
	69,747	105,855
Employee benefit obligations paid	(3,374)	(5,385)
Net cash inflow from operating activities	66,373	100,470
Cash flow from investing activities		
Purchases of property, plant and equipment	(18,879)	(48,533)
Sale proceeds from disposal of property, plant and equipment	281	534
Net cash outflow from investing activities	(18,598)	(47,999)
Cash flow from a financing activity		
Principal element of lease payments	(5,304)	-
Net change in cash and cash equivalents	42,471	52,471
Effects of exchange rate fluctuations on cash and cash equivalents	128	814
Cash and cash equivalents at the beginning of the period	582,055	559,099
Cash and cash equivalents at the end of the period	624,654	612,384

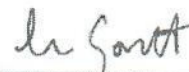
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SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2019 (Unaudited)****(All amounts in Saudi Riyals thousands unless otherwise stated)**

1. General Information

Saudia Dairy & Foodstuff Company (the "Company" or "SADAFCO", together with its subsidiaries referred to as the "Group"), is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration number 4030009917 issued in Jeddah dated Rabi Al-Akhar 21, 1396H (April 21, 1976).

The Company and its subsidiaries are primarily engaged in the production and distribution of dairy products, beverages and various foodstuff in the Kingdom of Saudi Arabia, Poland and certain other Gulf and Arab countries. Information on the Group's structure is provided in Note 5 of these condensed consolidated interim financial information.

2. Basis of preparation**2.1 Statement of compliance**

This condensed consolidated interim financial information of the Group has been prepared in compliance with IAS 34 "Interim Financial Reporting" that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual financial statements for the year ended December 31, 2018. IAS 34 states that the condensed interim financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosure in interim financial information than IFRS requires in annual financial statements.

2.2 Accounting convention / Basis of measurement

The condensed consolidated interim financial information has been prepared on a historical cost basis except for the following material items in the Condensed Consolidated Interim Statement of Financial Position:

- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Certain non-current assets measured at fair value.
- Non-controlling interest put option is recognised at the present value of redemption amount.

The condensed consolidated interim financial information is presented in Saudi Riyals being the functional currency of the Company and Group's presentation currency and all values are rounded to nearest thousand Saudi Riyals, unless otherwise indicated.

2.3 New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. However, the Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 Leases.

The impact of the adoption of the lease standard is disclosed in 2.3 (a) below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

Change in accounting policy

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements. The new accounting policy that has been applied from April 1, 2019 is disclosed in Note 3.

As indicated above, the Group has adopted IFRS 16 retrospectively from April 1, 2019, but has not restated comparatives for the year-ended March 31, 2019, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet at April 1, 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities are now measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease. Interest rate implicit in the lease cannot be determined, hence, the Group's incremental borrowing rate is used as of April 1, 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on April 1, 2019 was 4.29%.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)**2.3 New and amended standards adopted by the Group (continued)****(a) Adjustments recognised on adoption of IFRS 16 (continued)**

	April 1, 2019
Operating lease commitments as at April 1, 2019	39,288
Discounted using the lessee's incremental borrowing rate of at the date of initial application	31,914
Less: short-term leases recognised on a straight-line basis as expense	(6,872)
Add: adjustments as a result of a different treatment of extension options	39,906
Lease liabilities recognised as at April 1, 2019	64,948
Classified as:	
Current lease liabilities	13,826
Non-current lease liabilities	51,122
	64,948

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at April 1, 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at April 1, 2019 (date of initial application).

	June 30, 2019	April 1, 2019
The recognised right-of-use assets relate to the following types of assets:		
Land	38,088	38,537
Buildings	12,218	13,974
Vehicles	14,572	15,839
Total right-of-use assets	64,878	68,350

The change in accounting policy affected the following items in the statement of financial position on April 1, 2019:

- right-of-use assets - increase by Saudi Riyals 68.4 million
- prepayment - decrease by Saudi Riyals 4.8 million
- lease liabilities - increase by Saudi Riyals 64.9 million
- other liabilities - decrease by Saudi Riyals 1.4 million

There is no net impact on retained earnings on April 1, 2019 as a consequence of change in accounting policy.

(b) Impact on segment disclosures and earnings per share

Segment assets and segment liabilities for June 30, 2019 are increased as a result of the adoption of IFRS 16. The following segments were affected by the change in policy:

	Drinks	Non-drinks	Unallocated	Total
Impact on assets	42,621	22,257	(5,289)	59,589
Impact on liabilities	50,635	9,652	(1,158)	59,129

Earnings per share increased by Saudi Riyal 0.02 per share for the three-month period to June 30, 2019 as a result of the adoption of IFRS 16.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at April 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2019 (Unaudited)****(All amounts in Saudi Riyals thousands unless otherwise stated)**

2. Basis of preparation (continued)**2.3 New and amended standards adopted by the Group (continued)**

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

2.4 Standards and interpretations issued but not yet effective and applied by the Group

There are no other relevant standards, amendments or interpretations issued by IFRS Interpretation Committee that are not yet effective that would be expected to have a material impact on the Group's condensed consolidated interim financial information.

2.5 Critical accounting estimates and judgements

In preparing this condensed consolidated interim financial information, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense and accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities were the same as those described in the last annual consolidated financial statements except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which are described in Note 3 below.

3. Significant accounting policies

The accounting policies adopted by the Group for the preparation of the condensed consolidated interim financial information are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended March 31, 2019, except for accounting policies related to the new standards adopted by the Group effective as of April 1, 2019 (see Note 2.3).

3.1 Leases

The Group has leases for various accommodation, lands, warehouses and depot facilities. Rental contracts are typically made for fixed periods of 1 to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the last financial year-ended March 31, 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

From April 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Significant accounting policies (continued)**3.1 Leases (continued)**

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

At June 30, 2019, the Group did not have any lease contract classified as right-of-use assets that are variable in nature. Some leases contain extensions options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group. The Group assesses at lease commencement whether it is reasonably certain to exercise the option. The Group does not provide residual value guarantees in relation to any of its leases.

4. Segment information**4.1 Operating segment**

Following the management approach in regard to IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors and CEO (CODM), who is responsible for allocating the reportable segments and assessing their performance. The drinks segment represents milk and juice products, while non-drinks represent ice creams, tomato paste, cheese and snacks.

	Drinks	Non-drinks	Unallocated	Total
Segment profit or loss for the three-month period ended June 30, 2019				
Segment revenue – net	278,484	212,035	-	490,519
Inter-segment revenue – net	-	(5,287)	-	(5,287)
Revenue from external customers	278,484	206,748	-	485,232
Profit before zakat	40,207	22,030	-	62,237
Depreciation	17,687	5,480	-	23,167
Amortisation	-	596	-	596
Segment assets as of June 30, 2019				
Property, plant and equipment	587,777	198,427	-	786,204
Right-of-use assets	54,409	10,469	-	64,878
Intangible assets	-	28,117	-	28,117
Other non-current assets	-	4,837	243	5,080
Current assets	-	47,303	1,121,165	1,168,468
Total assets	642,186	289,153	1,121,408	2,052,747
Segment liabilities as of June 30, 2019				
Current liabilities	10,544	33,040	470,473	514,057
Non-controlling interest put option	-	25,508	-	25,508
Non-current portion of contingent consideration payable	-	3,875	-	3,875
Non-current portion of lease liabilities	40,091	7,198	-	47,289
Employee benefit obligations	-	230	109,895	110,125
Total liabilities	50,635	69,851	580,368	700,854
Segment profit or loss for the three-month period ended June 30, 2018				
Segment revenue – net	247,909	162,262	-	410,171
Inter-segment revenue – net	-	-	-	-
Revenue from external customers	247,909	162,262	-	410,171
Profit before zakat	36,385	17,415	-	53,800
Depreciation	12,362	4,149	-	16,511

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. Segment information (continued)**4.1 Operating segment (continued)**

	Drinks	Non-drinks	Unallocated	Total
Segment assets as of March 31, 2019				
Property, plant and equipment	562,187	224,834	-	787,021
Intangible assets	-	28,713	-	28,713
Other non-current assets	-	4,661	243	4,904
Current assets	-	49,244	1,045,860	1,095,104
Total assets	562,187	307,452	1,046,103	1,915,742
Segment liabilities as of March 31, 2019				
Current liabilities	-	29,495	390,879	420,374
Non-controlling interest put option	-	24,088	-	24,088
Non-current portion of contingent consideration payable	-	3,845	-	3,845
Employee benefit obligations	-	230	109,346	109,576
	-	57,658	500,225	557,883

The management has categorized its geographical operations as follows:

	Three-month period ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Geographic information		
Revenue from external customers		
Kingdom of Saudi Arabia	406,356	384,318
Poland	51,855	-
Gulf Cooperation Council (GCC countries)	15,114	14,659
Other	11,907	11,194
Total	485,232	410,171
	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Non-current operating assets		
Kingdom of Saudi Arabia	793,874	731,049
Poland	78,900	77,863
Gulf Cooperation Council (GCC countries)	9,389	9,711
Other	2,116	2,015
Total	884,279	820,638

4.2 Adjustments

Certain non-current assets, current assets, current liabilities and non-current liabilities are not allocated to operating segments as they are managed on a Group basis.

4.3 Reconciliation of profit

	Three-month period ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Profit before zakat	62,237	53,800
Zakat	(4,331)	(3,772)
Profit after zakat	57,906	50,028

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. Group information

The condensed consolidated interim financial information of the Group includes:

Name	Relationship	Principal activities	Country of incorporation	% equity interest	
				June 30, 2019	March 31, 2019
SADAFCO Bahrain Company SPC	Subsidiary	Foodstuff and dairy products	Bahrain	100%	100%
SADAFCO Jordan Foodstuff Company LLC	Subsidiary	Foodstuff and dairy products	Jordan	100%	100%
SADAFCO Qatar Company	Subsidiary	Foodstuff and dairy products	Qatar	75%	75%
SADAFCO Kuwait Foodstuff Co. W.L.L (*)	Subsidiary	Foodstuff and dairy products	Kuwait	49%	49%
SADAFCO Poland sp. Z.o.o. (**) ("SADAFCO Poland")	Subsidiary	Holding company	Poland	100%	100%
Mlekoma sp. Z.o.o. (**)	Subsidiary	Dairy products	Poland	76%	76%
Foodexo sp. Z.o.o. (**)	Subsidiary	Dairy products	Poland	76%	76%
Mlekoma Dairy Z.o.o (**)	Associate	Dairy products	Poland	37%	37%

(*) Remaining equity interest is beneficially held through parties nominated by the Company.

(**) During the year ended March 31, 2019, the Group acquired a controlling stake in Mlekoma sp. Z.o.o. and its subsidiary Foodexo sp. Z.o.o, and an associate Mlekoma Dairy Z.o.o (collectively referred to as "Mlekoma group") through a wholly owned subsidiary, SADAFCO Poland, incorporated in Poland.

6. Earnings per share

The basic and dilutive earnings per share is computed as follows:

	Three-month period ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of SADAFCO (Saudi Riyals)	58,283	50,200
Weighted average number of ordinary shares outstanding (in thousands)	32,000	32,500
Basic and diluted earnings per share (Saudi Riyals)	1.82	1.54

Weighted average number of shares are adjusted to reflect the effect of treasury shares held by the Company.

7. Property, plant and equipment

- (a) The ownership interest of the Group in certain freehold land held in Madinah at June 30, 2019 amounting to Saudi Riyals 1.54 million (March 31, 2019: Saudi Riyals 1.54 million) is through a shareholder of the Group. The Group holds legal documents confirming its beneficial interest.
- (b) The additions during the three-month period ended June 30, 2019 amounting to Saudi Riyals 18.87 million (March 31, 2019: Saudi Riyals 146.06 million and June 30, 2018: Saudi Riyals 48.53 million), mainly represent addition to capital work-in-progress for warehouses and plant and machinery in the factories.

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(All amounts in Saudi Riyals thousands unless otherwise stated)

8. Right-of-use assets

	Land	Buildings	Vehicles	Total
At April 1, 2019				
Cost	38,537	13,974	15,839	68,350
Accumulated depreciation	-	-	-	-
Net book value	38,537	13,974	15,839	68,350
Three-month period ended June 30, 2019				
Opening net book value	38,537	13,974	15,839	68,350
Depreciation charge	(449)	(1,756)	(1,267)	(3,472)
Closing net book value	38,088	12,218	14,572	64,878
At June 30, 2019				
Cost	38,537	13,974	15,839	68,350
Accumulated depreciation	(449)	(1,756)	(1,267)	(3,472)
Net book value	38,088	12,218	14,572	64,878

9. Lease liabilities

Movement in lease liabilities is summarized as follows:

	June 30, 2019
	(Unaudited)
At April 1, 2019	64,948
Payments made	(5,304)
Interest charged	642
At June 30, 2019	60,286

The scheduled maturities of the lease liabilities as of period ended June 30, 2019 are as follows:

	Principal amount	Interest	Net lease liabilities
Current portion	15,353	(2,356)	12,997
Non-current portion	71,864	(24,575)	47,289
	87,217	(26,931)	60,286

10. Zakat matters

Zakat assessments for the years up to and including 2017 have been finalized with the General Authority of Zakat and income Tax (GAZT).

SADAFCO has settled the additional Zakat liabilities of Saudi Riyals 3.8 million, Saudi Riyals 3.6 million and Saudi Riyals 1.7 million for the years 2005 through 2007, 2008 through 2011 and 2012 through 2013, respectively. However, the revised assessments for these years based on appeal decisions are awaited.

The GAZT has not yet raised an assessment for the year 2018.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

11. Related party matters**11.1 Transactions and balances with related parties**

- (a) Transactions with related parties were undertaken in the ordinary course of business at commercial terms and were approved by the management.
- (b) Significant transactions and balances related parties are described as under:

Transactions with	Nature of transaction	Sales to / (purchase from) related parties		Due to related parties	
		June 30, 2019 (Unaudited)	June 30, 2018 (Unaudited)	June 30, 2019 (Unaudited)	March 31, 2019 Audited
Buruj Cooperative insurance company (*)	Insurance premium	2,648	2,614	2,360	2,048
PKC Advisory	Consultancy services	198	-	-	19
				2,360	2,067

- (*) These transactions represent the insurance expense net of any claims received from Buruj Co-operative insurance Company.

11.2 Compensation of key management personnel of the Group

Compensation to Group's key management personnel includes salaries, and contributions to post-employment defined benefit plan. The Group has recognized an expense of Saudi Riyals 3.9 million for the three-month period ended June 30, 2019 (2018: Saudi Riyals 3.6 million).

12. Financial Instruments**12.1 Financial assets**

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Financial assets at amortised cost		
Trade and other receivables – net	200,987	192,792
Cash and cash equivalents	624,654	582,055
Total financial assets	825,641	774,847

Trade and other receivables

Trade and other receivables are non-derivative financial assets carried at amortised cost. The carrying value may be affected by changes in the credit risk of the counterparties.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

12. Financial Instruments (continued)**12.2 Financial liabilities**

	June 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Financial liabilities at amortized cost		
Trade and other payables	192,016	198,086
Lease liabilities	60,286	-
Accruals and other liabilities	216,001	197,869
Dividends payable	67,077	3,077
Due to related parties	2,360	2,067
	537,740	401,099
Financial liabilities at fair value through profit or loss		
Non-controlling interest put option	25,508	24,088
Contingent consideration payable	6,961	6,842
	32,469	30,930
Total financial liabilities	570,209	432,029

12.3 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

12. Financial Instruments (continued)**12.4 Financial instruments carried at fair value****a) Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

- Contingent consideration – expected cash flows are estimated based on achievement of target sales and net margins as per the terms of SPA and the entity's knowledge of the business and how the current economic environment is likely to impact it.
- Non-controlling interest put option – expected earnings multiplier to projected EBITDA of financial year 2022 of Mlekoma group as reduced by net debt in accordance with the SPA.

b) Fair value measurements using significant unobservable inputs (level 3)

	Contingent consideration payable	Non- controlling interest put option
April 1, 2019 (audited)	6,931	24,088
Unwinding of discount	30	1,420
June 30, 2019 (unaudited)	<u>6,961</u>	<u>25,508</u>

13. Commitments and contingencies

- (a) As at June 30, 2019, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 39.3 million (March 31, 2019: Saudi Riyals 34.0 million).
- (b) As at June 30, 2019, the Group has a contingent liability of Saudi Riyals 11.3 million (March 31, 2019: Saudi Riyals 11.3 million) in respect of guarantees issued by the Company's bankers to the GAZT (Note 10).

14. Other reserves

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 SADAFCO to the reserve. The utilization of this reserve is at the discretion of the shareholders. In the current period, transfer has been made to the voluntary reserve.

15. Dividends

In the General Assembly meeting of the Group held on May 11, 2019 the shareholders authorized dividends of Saudi Riyals 2 per share amounting to Saudi Riyals 64.0 million.

16. Approval and authorization for issue

On July 25, 2019, these condensed consolidated interim financial information were authorized for issue by the Board of Directors.