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

CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended December 31, 2023
with
INDEPENDENT AUDITOR'S REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended December 31, 2023

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأميرسلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم ٤٠٣٠٢٩٠٧٩٢

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Saudia Dairy and Foodstuff Company (SADAFCO)

Opinion

We have audited the consolidated financial statements of Saudia Dairy and Foodstuff Company (SADAFCO) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2023, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the nine-month period then ended, and notes to the consolidated financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the nine-month period then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Change in reporting period

We draw attention to Note 1 of the consolidated financial statements, which describes that the Group changed its year-end from March 31 to December 31, with effect from Safar 6, 1445H (corresponding to August 22, 2023). As a result, the comparative information presented is not comparable. Our opinion is not modified in respect of this matter.

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Independent Auditor's Report

To the Shareholders of Saudia Dairy and Foodstuff Company (SADAFCO) (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit losses for trade receivables	
Refer to Note 3 for the accounting policy and Note 12 of the consolidated financial statements.	
Key audit matter	**How our audit addressed the Key audit matter**
As at December 31, 2023, the gross trade receivables balance was Saudi Riyals 297.85 million (March 31, 2023: Saudi Riyals 313.58 million), against which an allowance for impairment loss of Saudi Riyals 29.02 million (March 31, 2023: Saudi Riyals 27.77 million) was maintained. The Group assesses at each reporting date whether the trade receivables (carried at amortized cost) are credit impaired. Consequently, it measures impairment allowances based on the Expected Credit Loss (ECL) model as required in International Financial Reporting Standard 9 ("Financial Instruments") ("IFRS 9"). The ECL model involves the use of various assumptions and historical trends. We considered this as a key audit matter due to the judgements and estimates involved in the application of the ECL model and the impact on the trade receivables balance.	Our audit procedures related to expected credit losses for trade receivables included: − Obtained an understanding of the management's process for determining the Impairment of trade receivables and the ECL allowance. − Evaluated the Group's accounting policy and methodology for ECL allowance with the requirements of IFRS 9. − Involved our internal specialists to review the methodology used, including the significant judgements and assumptions used in the ECL model developed by the management. − Tested the accuracy of trade receivables aging on sample basis, as at December 31, 2023 which is used in the preparation of ECL model; and − Assessed the adequacy of the disclosures included in the accompanying financial statements in accordance with relevant accounting standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Independent Auditor's Report

To the Shareholders of Saudia Dairy and Foodstuff Company (SADAFCO) (continued)

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Board of Directors, are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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Independent Auditor's Report

To the Shareholders of Saudia Dairy and Foodstuff Company (SADAFCO) (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Saudia Dairy and Foodstuff Company (SADAFCO) ("the Company") and its subsidiaries ("the Group").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Professional Services

كي بي إم جي للإستشارات المهنية
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C.R. 4030290792
J : 1
KPMG
KPMG Professional Services

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Nasser Ahmed Al Shutairy
License No. 454

Jeddah, March 26, 2024
Corresponding to Ramadan 16, 1445H

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	December 31, 2023	March 31, 2023
Assets			
Property, plant and equipment	6	**895,764**	926,079
Right-of-use assets	7	**62,483**	62,679
Intangible assets	8	**6,170**	15,753
Other non-current assets		**6,620**	5,165
Equity accounted investee	9	--	539
Long term investments	10	**38,809**	38,258
Non-current assets		**1,009,846**	1,048,473
Inventories	11	**430,252**	419,534
Trade receivables	12	**268,838**	285,812
Prepayments and other receivables	13	**57,698**	45,545
Short term investments	14	**674,056**	394,520
Cash and cash equivalents	15	**349,340**	290,299
Assets held for sale	5	**1,205**	--
Current assets		**1,781,389**	1,435,710
Total assets		**2,791,235**	2,484,183
Equity			
Share capital	16	**325,000**	325,000
Statutory reserve		**162,500**	162,500
Other reserve	16	**366,811**	334,049
Treasury shares	16	**(51,559)**	(51,559)
Foreign currency translation reserve	16	**(11,570)**	(10,401)
Retained earnings		**1,110,349**	893,577
Equity attributable to owners of the Company		**1,901,531**	1,653,166
Non-controlling interests		**304**	22,381
Total equity		**1,901,835**	1,675,547
Liabilities			
Employee benefit obligations	18	**154,054**	140,138
Lease liabilities - non-current portion	7	**50,561**	51,647
Non-current liabilities		**204,615**	191,785
Trade and other payables	19	**322,152**	187,065
Accrued expenses and other liabilities	20	**315,693**	319,591
Due to related parties	31	**1,944**	3,391
Non-controlling interest put option	21	--	65,163
Lease liabilities - current portion	7	**13,472**	12,297
Dividends payables		**3,697**	3,595
Accrued Zakat and income tax	22	**27,827**	25,749
Current liabilities		**684,785**	616,851
Total liabilities		**889,400**	808,636
Total equity and liabilities		**2,791,235**	2,484,183

The notes from 1 to 40 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Patrick Othmar Stillhart	Subir Swarajya Dhawan
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine-month period ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Revenue	23	**2,111,480**	2,648,013
Cost of sales	24	**(1,360,810)**	(1,825,304)
Gross profit		**750,670**	822,709
Selling and distribution expenses	25	**(304,566)**	(351,040)
General and administrative expenses	26	**(91,492)**	(113,876)
Impairment (loss) / reversal on trade receivables	12	**(1,246)**	11,419
Other income		**1,866**	1,799
Other expenses	27	**(15,901)**	--
Operating profit		**339,331**	371,011
Finance income	28	**32,705**	18,499
Finance costs	29	**(22,905)**	(50,001)
Net finance income / (costs)		**9,800**	(31,502)
Share of profit / (loss) of equity accounted investee, net of tax	9	**729**	(392)
Profit before zakat and income tax		**349,860**	339,117
Zakat and income tax	22	**(24,878)**	(28,653)
Profit for the period / year		**324,982**	310,464
Profit for the period / year attributable to:			
Owners of the Company		**327,619**	308,771
Non-controlling interests		**(2,637)**	1,693
		324,982	310,464
Earnings per share:			
Basic and diluted earnings per share attributable to owners of the Company (Saudi Riyals)	30	**10.24**	9.65

The notes from 1 to 40 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Patrick Othmar Stillhart	Subir Swarajya Dhawan
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine-month period ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Profit for the period / year		**324,982**	310,464
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation difference		**(1,143)**	642
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	18	**(1,552)**	(4,913)
Other comprehensive loss for the period / year		**(2,695)**	(4,271)
Total comprehensive income for the period / year		**322,287**	306,193
Total comprehensive income for the period / year attributable to:			
Owners of the Company		**324,898**	304,963
Non-controlling interests		**(2,611)**	1,230
		322,287	306,193

The notes from 1 to 40 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar Member Board of Directors	Patrick Othmar Stillhart Chief Executive Officer	Subir Swarajya Dhawan Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Attributable to owners of the Company								
	Share capital	Statutory reserve	Other reserve	Treasury shares	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at April 1, 2022	325,000	162,500	303,172	(51,559)	(11,506)	812,596	1,540,203	21,151	1,561,354
Profit for the year	--	--	--	--	--	308,771	308,771	1,693	310,464
Other comprehensive loss / income	--	--	--	--	1,105	(4,913)	(3,808)	(463)	(4,271)
Total comprehensive loss / income for the year	--	--	--	--	1,105	303,858	304,963	1,230	306,193
Dividends declared (Note 37)						(192,000)	(192,000)	--	(192,000)
Transfer to other reserve (Note 16)	--	--	30,877	--	--	(30,877)	--	--	--
Balance at March 31, 2023	**325,000**	**162,500**	**334,049**	**(51,559)**	**(10,401)**	**893,577**	**1,653,166**	**22,381**	**1,675,547**
Profit for the period	--	--	--	--	--	327,619	327,619	(2,637)	324,982
Other comprehensive loss / income	--	--	--	--	(1,169)	(1,552)	(2,721)	26	(2,695)
Total comprehensive loss / income for the period	--	--	--	--	(1,169)	326,067	324,898	(2,611)	322,287
Dividends declared (Note 37)	--	--	--	--	--	(95,999)	(95,999)	--	(95,999)
Acquisition of non-controlling interest	--	--	--	--	--	19,466	19,466	(19,466)	--
Transfer to other reserve (Note 16)	--	--	32,762	--	--	(32,762)	--	--	--
Balance at December 31, 2023	**325,000**	**162,500**	**366,811**	**(51,559)**	**(11,570)**	**1,110,349**	**1,901,531**	**304**	**1,901,835**

The notes from 1 to 40 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar
Member Board of Directors

Patrick Othmar Stillhart
Chief Executive Officer

Subir Swarajya Dhawan
Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine-month period ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Cash flows from operating activities			
Profit before zakat and income tax		349,860	339,117
Adjustments for:			
Depreciation on property, plant and equipment	6	79,453	103,827
Depreciation on right-of-use assets	7	10,854	13,644
Amortization of intangible assets		--	2,557
Gain on disposal of property, plant and equipment		(364)	(1,030)
Impairment loss / (reversal) on trade receivables	12	1,246	(11,419)
Other expenses	27	15,901	--
Finance income	28	(32,705)	(18,499)
Finance costs	29	22,905	50,001
Share of (profit) / loss from equity accounted investee	9	(729)	392
Provision for inventories	11	7,655	21,849
Provision for employee benefit obligations	18	17,699	18,285
		471,775	518,724
Changes in:			
Inventories		(18,373)	(81,962)
Trade receivables		15,728	(40,739)
Prepayments and other receivables		(12,153)	2,637
Trade and other payables		135,087	(4,436)
Accrued expenses and other liabilities		(3,898)	31,693
Due to related parties		(1,447)	1,988
Cash generated from operating activities		586,719	427,905
Employee benefit obligations paid	18	(5,335)	(11,205)
Finance costs paid		(3,873)	(7,793)
Zakat and income tax paid	22	(22,800)	(24,985)
Net cash generated from operating activities		554,711	383,922
Cash flows from investing activities			
Interest received		22,949	12,220
Purchase of property, plant and equipment	6	(46,380)	(95,812)
Purchases of intangible assets	8	(6,170)	--
Long term investments		--	(38,000)
Short term investments		(945,800)	(388,500)
Proceeds from disposal of property, plant and equipment		732	1,344
Proceeds from maturity of short term investments		676,020	--
Movement in other non-current assets		(1,455)	(430)
Net cash used in investing activities		(300,104)	(509,178)
Cash flows from financing activities			
Dividends paid to owners of the Company	37	(95,897)	(191,581)
Repayments of finance costs on lease liabilities	7	(1,451)	(2,405)
Acquisition of non-controlling interests	21	(88,967)	--
Principal repayments of lease liability	7	(11,072)	(13,448)
Net cash used in financing activities		(197,387)	(207,434)
Net change in cash and cash equivalents		57,220	(332,690)
Effects of exchange rate fluctuations on cash and cash equivalents		1,821	(2,973)
Cash and cash equivalents at the beginning of the period / year		290,299	625,962
Cash and cash equivalents at the end of the period / year	15	349,340	290,299

SUPPLEMENTAL NON-CASH INFORMATION

Addition to lease liabilities		10,251	11,537

The notes from 1 to 40 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Patrick Othmar Stillhart	Subir Swarajya Dhawan
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. GENERAL INFORMATION

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

Ibrahim Almalki Street,
Alnakhil District
P.O. Box 5043, Jeddah 21422
Kingdom of Saudi Arabia

The Company and its subsidiaries are primarily engaged in the production and distribution of dairy products, beverages, and various foodstuffs 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 consolidated financial statements.

The accompanying consolidated financial statements include the activities of the Company's head office and its following branches:

Commercial Registration No.	Location of Branch	Commercial Registration No.	Location of Branch
1010138304	Riyadh	2511003119	Hafr Elbatin
1010138318	Riyadh	3350006499	Hail
1116003338	Riyadh	3403005857	Hasa
1131010561	Buraydah	3550007577	Tabouk
2050031704	Dammam	4030122648	Jeddah
5950003515	Najran	4030279567	Jeddah
2251018568	Dhahran	4030311244	Jeddah
1011150527	AlKharj	4030424042	Jeddah
4032019884	Taif	4031019174	Makkah
4700003368	Yanbu	4650005848	Madinah
5860013254	Abha	5852001684	Sabt Al Alaya
5900003767	Jizan	5860013254	Abha

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in the process of assessing the impact of the New Companies Law and will amend its By-laws for any changes to align the By-laws to the provisions of the Law. Consequently, the Company shall present the amended By-laws to the shareholders in their Extraordinary General Assembly meeting for their ratification.

During the period, the shareholders of the Group approved the recommendation to amend the fiscal year end of the Group from March 31 to December 31, with effect from Safar 6, 1445H (corresponding to August 22, 2023). The change in fiscal year will not have any negative effects on the Group's financial or operational performance. As a result of the change in fiscal year, the Group has presented the consolidated financial statements for a period shorter than one year (i.e. nine-month period from April 1, 2023 to December 31, 2023). Accordingly, the amounts presented in the consolidated financial statements are not entirely comparable.

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") Accounting Standards as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to "IFRSs endorsed in KSA").

2.2 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis except for the following:

- Non-controlling interest put option is recognised at the present value of redemption amount; and
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.

Certain comparatives have been reclassified to conform to the current period's presentation.

2.3 Functional and presentation currency

The Group's consolidated financial statements are presented in Saudi Arabian Riyals ("Saudi Riyals"), which is also the Group's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.4 Standards, interpretations and amendments that became effective during the period

Following amendments to IFRS and International Accounting Standards were effective on or April 1, 2023, but they did not have a material effect on the Group's financial statements:

Effective date	***New Standards or amendments***
April 1, 2023	IAS 8 Definition to accounting estimates
April 1, 2023	IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

2.5 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Groups intends to adopt these standards, interpretations and amendments if applicable, when they become effective.

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2024
IFRS 16	Lease Liability in a Sale and Leaseback – (amendments to IFRS 16)	January 1, 2024
IAS 7 and IFRS 7	Supplier finance arrangements (amendments to IAS 7 and IFRS 7)	January 1, 2024
IAS 21	Lack of exchangeability (amendments to IAS 21)	January 1, 2024

2. BASIS OF PREPARATION (continued)

2.5 Standards, interpretations and amendments issued but not yet effective (continued)

Following are the new IFRS sustainability disclosure standards effective for annual periods beginning on or after 1 January 2024 subject to endorsement of the standards by SOCPA.

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IFRS S1	General requirements for disclosure of sustainability-related financial information	January 1, 2024
IFRS S2	Climate-related disclosures	January 1, 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise. In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from April 1, 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.

The accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements to all periods presented, unless otherwise indicated.

3.1 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (“OCI”) are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies and reporting period in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration, classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are deconsolidated from the date the control ceases.

Associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

Interest in associates is accounted for using the equity method (equity accounted investee). They are initially recognized at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income ("OCI") of equity accounted investee, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the investment carrying amount is reduced to nil and recognition of further losses is continued when the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the underlying assets / liabilities to the extent of the Group's interest in the investee.

Non-controlling interests

Non-controlling interest represents the interest in subsidiary companies, not held by the Group which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with non-controlling interest parties are treated as transactions with parties external to the Group. Changes in Group's interest in a subsidiary as a result of transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid / received and the relevant share acquired / disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal / acquisition of non-controlling interests are also recorded in equity.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 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. Refer Note 36 for more details.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BOD) and CEO, (together chief operating decision maker, CODM). The CODM assesses the financial performance and position of the Group and makes strategic decisions.

An operating segment is group of assets and operations:

(i) engaged in revenue producing activities;
(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) whose financial information is separately available.

The Group has the following two strategic divisions, which are reportable segments and are defined and used by the Board of Directors when reviewing the Group's performance. These divisions offer different products and services and are managed separately because of their different fundamentals.

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Drinks	Drink products of the Group mainly include milk products.
Non – drinks	Non drink products of the Group mainly include ice-cream and tomato paste.

3.4 Foreign currencies translation

Transaction and balances

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary assets measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in consolidated statement of profit or loss or consolidated statement of comprehensive income are also recognised in consolidated statement of profit or loss or consolidated statement of comprehensive income, respectively).

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.4 Foreign currencies translation (continued)

Group companies

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of end of reporting period;
- income and expenses for each consolidated statement of profit or loss and consolidated statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income, except to the extent that the translation difference is allocated to NCI.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.5 Revenue recognition

The Group generates revenue from dairy and foodstuff product. Revenue is recognised when there is a contract with a customer for the transfer of dairy and other related products across various product categories and geographical regions. Revenue is recognised in the Consolidated Statement of Profit or Loss when a performance obligation is satisfied, at the price allocated to that performance obligation. This is defined as the point in time when control of the products has been transferred to the customer, the amount of revenue can be measured reliably, and collection is probable. The transfer of control to customers takes place according to trade agreement terms.

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates.

Products are sold principally on a sale or return basis. Allowances for expected sales returns are calculated based on the forecasted return of expired products based on historical experience. Expected sales returns are netted off against revenue with the corresponding impact in ‘trade and other payables’ for cash sales and ‘trade receivables’ for credit sales.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data, in case such returns are material.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.5 Revenue recognition (continued)

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12-months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in accrued and other liabilities) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period.

The duration of contracts with customers is one year and all contracts are fixed priced contracts.

The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

3.6 Property, plant and equipment

i) Recognition and measurement

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major overhaul is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met and the amounts are expected to be material.

ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of profit or loss when incurred.

iii)Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over the estimated useful lives of property, plant and equipment and is generally recognized in consolidated statement of profit or loss. Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.6 Property, plant and equipment (continued)

iii) Depreciation (continued)

Depreciation is charged over the estimated useful lives of property, plant and equipment as follows:

	Years
• Leasehold improvement	2 - 16
• Buildings	10 - 40
• Machinery and equipment	4 - 15
• Vehicles and trailers	4 – 7
• Furniture, fixtures and office equipment	4 - 10

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised. The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial period end and adjusted prospectively, if appropriate.

Capital working in progress

Capital work in progress (CWIP) is measured at cost less impairment losses, if any, and not depreciated until such time the assets are available for use and transferred to the respective category under property, plant and equipment. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required substantially to complete and prepare those assets for its intended use, if the recognition criteria are met.

3.7 Intangible assets

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.7 Intangible assets (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

3.8 Zakat and income taxes on foreign entities

In accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA), the Group is subject to zakat attributable to its Saudi shareholders. Provisions for zakat are charged to the consolidated statement of profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. For pending zakat assessment years, provisions are assessed at each reporting period depending on the status of zakat assessment.

Income tax on foreign entities, including subsidiaries, is provided in accordance with the relevant income tax regulations of their countries of incorporation. The income tax expense or credit for the period is the tax payable on the current periods' taxable income based on the applicable income tax rate for each jurisdiction.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. The income tax charge relating to subsidiaries is recorded in the consolidated statement of profit or loss. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The Group withholds taxes on certain transactions with non-resident parties as required under Saudi Arabian Income Tax Law.

Expenses and assets are recognised net of the amount of valued added tax ("VAT"), except:

- When the VAT incurred on purchase of assets or services is not recoverable from the ZATCA, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, respectively.

- When receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from / payable to the ZATCA is included as part of other assets or liabilities, respectively, in the consolidated statement of financial position.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.9 Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation, impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date, and an estimate of costs to dismantle and remove the underlying asset on the site on which it is located less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. In addition, the right of use asset is periodically reduced by impairment losses if any, and adjusted for certain remeasurement of lease liability. Refer to the accounting policies under section Impairment of non-financial assets.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted using the Group's incremental borrowing rate (if the interest rate implicit in the lease is not available). Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. Any such re-measurement in the lease liability is adjusted against the carrying value of the right-of-use asset or charged to consolidated statement of profit or loss if carrying value of the related asset is zero.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payment (e.g. changes to future payments resulting from a change in index on a rate used to determine sub lease payments) on a change in the assessment of an option to purchase the underlying asset.

Short term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short term leases. The group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.10 Statutory reserves

The Company is required to transfer at least ten percent of net profit to the statutory reserve until such reserve equals 50% of share capital. This was achieved in previous years, and accordingly no further transfers are made to statutory reserve during the period / year ended December 31, 2023 and March 31, 2023.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.11 Financial instruments

Non-Derivative Financial instruments

(i) Financial assets (Non-derivative)

Initial recognition and measurement

Financial assets are classified at initial recognition and measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

(i) Financial assets (Non-derivative) (continued)

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired. This category is relevant to the Group. The Group's financial assets at amortised cost includes trade receivables, loans to employees and due from related parties included under other non-current financial assets.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Currently, the Group does not have any debt instruments at fair value through OCI.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Currently, the Group does not have any equity investments designated at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

Currently, the Group does not have any financial assets designated at fair value through profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

(i) Financial assets (Non-derivative) (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs. The Group's financial liabilities mainly include trade and other payables, accrued expenses, lease liabilities and non-controlling interest put option.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost (lease liabilities, accrued expenses and trade payable).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS 9'). Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

This category is relevant to the Group. After initial recognition, lease liabilities, accrued expenses and trade payables are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.11 Financial instruments (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

3.12 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.13 Inventories

Inventories are valued at the lower of 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. Costs are assigned to individual items of inventory on the basis of first-in-first out. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

3.14 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.15 Non-controlling interest put options

Written put options in respect of which the Group does not have an unconditional right to avoid the delivery of cash, are recognised as financial liabilities. Under this method, the non-controlling interest is not derecognised when the financial liability in respect of the put option is recognised, as the non-controlling interest still has present access to the economic benefits associated with the underlying ownership interest. Non-controlling interest put options are initially recognised at the present value of redemption amount and reduction to controlling interest equity. All subsequent changes in liability is recognised in the consolidated statement of profit or loss. The Group uses its judgment to select a variety of methods, and assumptions made are based on market and Group specific conditions existing at each reporting period.

3.16 Employee benefit obligations

The Group is operating an unfunded post-employment defined benefit plan. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they occur in the consolidated statement of comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to the consolidated statement of profit or loss in subsequent periods.

Past service costs are recognised in the consolidated statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date on which the Group recognises related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognises the following changes in the net defined benefit obligation under ‘cost of sales’, ‘general and administration expenses’ and ‘selling and distribution expenses’ in the consolidated statement of profit or loss (by function):

- Service costs comprises current service costs, past-service costs, gains and losses on curtailments and non-routine settlements.
- The defined benefit asset or liability comprises the present value of the defined benefit obligation, past service costs and less the fair value of plan assets out of which the obligations are to be settled. However, currently the plan is unfunded and has no assets.

3.17 Earnings per share

The management determines basic earnings per share by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period / year. The weighted average number of ordinary shares outstanding during the period / year is the number of ordinary shares outstanding at the beginning of the period / year, adjusted by the number of ordinary shares bought back or issued during the period / year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the period / year; a reasonable approximation of the weighted average is adequate in many circumstances.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.17 Earnings per share (continued)

Diluted EPS amounts are calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the period / year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year include:

(i) Goodwill - Annual impairment testing of goodwill

The Group’s management tests whether goodwill has suffered any impairment, at least on an annual basis. This requires an estimation of recoverable amounts of the cash-generating units to which the goodwill is allocated. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, EBITDA margins, and the terminal growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value-in-use are disclosed and further explained in Note 8 to the consolidated financial statements.

(ii) Non-controlling interest put options

The fair value of non-controlling interest put options are recognised at the present value of redemption amount based on discount future cash flow analysis. The Group uses its judgment to select a variety of methods, and assumptions made are based on market and Group specific conditions existing at each reporting period. Further details are explained in Note 21 to the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(iii) Measurement of post-employment defined benefits

The cost of post-employment defined benefits is the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high-quality bonds obligation, as designated by an internationally acknowledged rating agency are considered, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. Further details are explained in Note 18 to the consolidated financial statements.

(iv) Right-of-use assets and lease liabilities

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that includes renewable options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Refer Note 7 for further details.

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).

For leases of lands, warehouses and depot facilities, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any lands are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Extension and termination options are included in a number of leases of the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(v) Expected Credit Loss (ECL) measurement on financial assets

The Group has selected a simplified approach on financial assets. The Group uses a provision matrix to calculate ECL for financial assets. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated, and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

(vi) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of property, plant and equipment with finite useful lives for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the depreciation and methods and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates and to ensure that the methods and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

The Group's management reviews the useful lives, residual value and method of depreciation annually for any significant changes and any resultant changes to the depreciation charge are adjusted in current and future periods.

(vii) Allowance for inventory losses

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. GROUP INFORMATION

The consolidated financial statements of the Group include:

Name	Relationship	Principal activities	Country of incorporation / principal place of business	% equity interest	
				December 31, 2023	March 31, 2023
SADAFCO Bahrain Company LLC	Subsidiary	Foodstuff and dairy products	Bahrain	**100%**	100%
SADAFCO Jordan Foodstuff Company LLC	Subsidiary	Foodstuff and dairy products	Jordan	**100%**	100%
SADAFCO Qatar W.L.L.	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	**100%**	76%
Foodexo Sp. z o.o. (**)	Subsidiary	Dairy products	Poland	**100%**	76%
Mlekoma Dairy Sp. z o.o. (**)	Associate	Dairy products	Poland	--	37%

(*) The Group considers the SADAFCO Kuwait Foodstuff Co. W.L.L (“investee company”) as 100% subsidiary and held 51% beneficial interest in the investee company through parties nominated by the Group.

(**) These entities together are referred to as “Mlekoma group”. During the period ended December 31, 2023, the Group acquired an additional 24% interest in “Mlekoma group” under non-controlling interest put option agreement, increasing Group’s ownership from 76% to 100 %.

(***) On December 31, 2023, the Group has classified its investment in Mlekoma Dairy Sp. z.o.o. under assets held for sale based on the Group’s intention to realise the investment within twelve months after the reporting date (note 39).

At December 31, 2023, the Group’s parent entity is Kuwait Projects Company Holding (“KIPCO”) and Group’s ultimate parent entity is Al Futtooh Holding Company K.S.C. (Closed).

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment during the period / year is as follows:

	Land and buildings	Machinery and equipment	Vehicles and trailers	Furniture, fixtures and office equipment	Capital work-in-progress	Total
Cost						
As at April 1, 2023	**618,377**	**1,215,893**	**263,245**	**110,386**	**111,811**	**2,319,712**
Additions during the period	**--**	**242**	**129**	**72**	**45,937**	**46,380**
Disposals during the period	**--**	**(512)**	**(1,954)**	**(16)**	**--**	**(2,482)**
Transfers during the period	**39,023**	**67,982**	**20,494**	**16,043**	**(143,542)**	**--**
Exchange differences	**2,769**	**3,200**	**492**	**436**	**79**	**6,976**
As at December 31, 2023	**660,169**	**1,286,805**	**282,406**	**126,921**	**14,285**	**2,370,586**
Accumulated depreciation						
As at April 1, 2023	**297,917**	**789,757**	**209,816**	**96,143**	**--**	**1,393,633**
Charge for the period	**15,417**	**44,243**	**14,856**	**4,937**	**--**	**79,453**
Disposals during the period	**--**	**(512)**	**(1,602)**	**--**	**--**	**(2,114)**
Exchange differences	**612**	**2,573**	**343**	**293**	**29**	**3,850**
As at December 31, 2023	**313,946**	**836,061**	**223,413**	**101,373**	**29**	**1,474,822**
Carrying amount						
As at December 31, 2023	**346,223**	**450,744**	**58,993**	**25,548**	**14,256**	**895,764**

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land and buildings	Machinery and equipment	Vehicles and trailers	Furniture, fixtures and office equipment	Capital work-in-progress	Total
Cost						
As at April 1, 2022	619,284	1,219,851	266,661	111,456	22,953	2,240,205
Additions during the year	225	834	383	479	93,891	95,812
Disposals during the year	(178)	(6,532)	(5,565)	(1,644)	--	(13,919)
Transfers during the year	45	2,578	2,072	214	(4,909)	--
Exchange differences	(999)	(838)	(306)	(119)	(124)	(2,386)
As at March 31, 2023	618,377	1,215,893	263,245	110,386	111,811	2,319,712
Accumulated depreciation						
As at April 1, 2022	277,656	739,235	196,118	91,793	--	1,304,802
Charge for the year	20,681	57,587	19,489	6,070	--	103,827
Disposals during the year	(170)	(6,257)	(5,557)	(1,621)	--	(13,605)
Exchange differences	(250)	(808)	(234)	(99)	--	(1,391)
As at March 31, 2023	297,917	789,757	209,816	96,143	--	1,393,633
Carrying amount						
As at March 31, 2023	320,460	426,136	53,429	14,243	111,811	926,079

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Depreciation charge for the period / year has been allocated as follows:

	Notes	**December 31, 2023**	March 31, 2023
Cost of sales	24	**52,370**	71,226
Selling and distribution expenses	25	**25,064**	28,498
General and administrative expenses	26	**2,019**	4,103
		79,453	103,827

(b) The ownership interest of the Group in a freehold land held in Madinah is amounting to Saudi Riyals 1.54 million (March 31, 2023: Saudi Riyals 1.54 million) is through a shareholder of the Group. The Group holds legal documents confirming its beneficial interest.

(c) Capital work in progress represents ongoing construction works and it is expected to be completed during 2023.

7. LEASES

The Group leases various stores, offices and vehicles. Rental contracts are typically made for fixed periods of 2 to 16 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.

Leases are recognised as a right-of-use asset and corresponding liability at the date of 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 consolidated statement of profit or loss 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 Group's weighted average incremental borrowing rate applied to the lease liabilities ranges from 2.88% to 8.07%. 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.

Amounts recognized in the consolidated statement of financial position in respect of right-of-use assets and lease liabilities is as follows:

a. Right-of-use assets

	Land	**Buildings**	**Vehicles**	**Total**
As at April 1, 2022	39,460	7,610	17,884	64,954
Additions during the year	1,813	--	9,724	11,537
Depreciation charge for the year	(1,959)	(3,285)	(8,400)	(13,644)
Exchange difference	(128)	--	(40)	(168)
Carrying amount as at March 31, 2023	39,186	4,325	19,168	62,679
Additions during the period	**1,983**	**1,716**	**6,552**	**10,251**
Depreciation charge for the period	**(1,941)**	**(2,262)**	**(6,651)**	**(10,854)**
Exchange difference	**174**	**108**	**125**	**407**
Carrying amount as at December 31, 2023	**39,402**	**3,887**	**19,194**	**62,483**

(All amounts in Saudi Riyals thousands unless otherwise stated)

7. LEASES (continued)

b. Lease liabilities

Movement in lease liabilities during the period / year is as follows:

	December 31, 2023	March 31, 2023
Lease liability at beginning of the period / year	**63,944**	66,633
Additions during the period / year	**10,251**	11,537
Payments made during the period / year	**(12,523)**	(15,853)
Finance costs charged during the period / year	**2,066**	2,476
Exchange differences	**295**	(849)
Lease liabilities at end of the period / year	**64,033**	63,944

Contractual undiscounted cashflows pertaining to lease liabilities as of December 31, 2023 and March 31, 2023, are disclosed in Note 34.

Lease liabilities as at December 31, 2023 and March 31, 2023 is divided into current and non-current portion as follows:

	December 31, 2023	March 31, 2023
Current	**13,472**	12,297
Non-current	**50,561**	51,647
	64,033	63,944

The aging of minimum lease payments together with the present value of minimum lease payments as of December 31 and March 31 are as follows:

	December 31, 2023		March 31,2023	
	Minimum lease payments	**Present value of payments**	Minimum lease payments	Present value of payments
Less than one year	**14,371**	**12,083**	15,379	12,297
One to five years	**28,181**	**22,672**	28,979	20,549
More than five years	**41,687**	**29,278**	43,855	31,098
Total	**84,239**	**64,033**	88,213	63,944
Less: financial charges	**(20,206)**	--	(24,269)	--
	64,033	**64,033**	63,944	63,944

(All amounts in Saudi Riyals thousands unless otherwise stated)

7. LEASES (continued)

Amounts recognised in the consolidated statement of profit or loss is as follows:

	December 31, 2023	March 31, 2023
Depreciation charge on right-of-use assets	**10,854**	13,644
Finance costs on lease liabilities	**2,066**	2,476
Expense relating to short term leases (included in cost of sales – Note 24, selling and distribution expenses – Note 25 and general and administrative – Note 26)	**6,656**	6,500

Depreciation on right-of-use assets for the period / year has been allocated as follows:

	Notes	**December 31, 2023**	March 31, 2023
Cost of sales	24	**1,309**	1,762
Selling and distribution expenses	25	**9,168**	11,459
General and administrative expenses	26	**377**	423
		10,854	13,644

8. INTANGIBLE ASSETS

The movement of intangible assets during the period / year is as follows:

	Goodwill	**Brands**	**Capital work-in-progress**	**Total**
Cost:				
As at April 1, 2023	**15,753**	**--**	**--**	**15,753**
Additions during the period	**--**	**--**	**6,170**	**6,170**
As at December 31, 2023	**15,753**	**--**	**6,170**	**21,923**
Accumulated amortization and impairment losses:				
As at April 1, 2023	**--**	**--**	**--**	**--**
Impairment loss during the period	**(15,753)**	**--**	**--**	**(15,753)**
As at December 31, 2023	**(15,753)**	**--**	**--**	**(15,753)**
Carrying amount:				
As at December 31, 2023	**--**	**--**	**6,170**	**6,170**
As at March 31, 2023	15,753	--	--	15,753

(All amounts in Saudi Riyals thousands unless otherwise stated)

8. INTANGIBLE ASSETS (continued)

The Group through its wholly owned subsidiary, SADAFCO Poland, acquired a total stake of 76% in "Mlekoma group" on July 2, 2018 through a series of agreements, collectively referred to as Share Purchase Agreement ("SPA") and has recognised goodwill in respect of acquisition. During the period ended December 31, 2023, the Group acquired an additional 24% interest in "Mlekoma group" under non-controlling interest put option agreement, increasing Group's ownership from 76% to 100%.

(a) Goodwill

Goodwill was attributable to sourcing of high-quality raw material, experienced workforce and profitability of the acquired business that cannot be assigned to any other determinable and separate intangible asset.

The Group tests whether goodwill has suffered any impairment on an annual basis. For the impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ("CGUs"). For the nine-month period ended December 31, 2023, the recoverable amount of Mlekoma group which was considered as single cash generating unit was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates.

The calculation in value in use is most sensitive to the assumptions on EBITDA margins, discount rate and terminal growth rate. Key assumptions underlying the projections are as follows:

Key assumptions	**December 31, 2023**	March 31, 2023
EBITDA margins	**2.5%**	4%
Discount rate	**10.6%**	10.9%
Terminal value growth rate	**2.5%**	2.5%

EBITDA margin was estimated taking into account past experience, adjusted as follows:

- Revenue growth was projected taking into account the average growth levels experience over the past years and the estimated sales volume and the price growth for the next five years.

- The discount rate was an estimate of the weighted average cost of capital as of December 31, 2023 based on market rates adjusted to reflect management's estimate of the specific risks relating to segment and operations in Poland.

- The cashflows projection included specific estimates for five years and terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of long term compound annual EBITDA growth rate.

(All amounts in Saudi Riyals thousands unless otherwise stated)

8. INTANGIBLE ASSETS (continued)

Sensitivity to the changes in assumptions

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(i) EBITDA margins

It is used to measure Group's overall financial performance and profitability. If all other assumptions kept the same, a reduction of this rate by 6% (March 31, 2023: 13%) across all expected cashflow would give a value in use equal to the current carrying amount.

(ii) Discount rate

The discount rate was an estimate of the weighted average cost of capital as of December 31, 2023 based on market rates adjusted to reflect management's estimate of the specific risks relating to segment and operations in Poland. If all other assumptions kept the same, an increase of this rate by 5% (March 31, 2023: 27%) would give a value in use equal to the current carrying amount.

(iii) Terminal value growth rate

It is the weighted average growth rate used to extrapolate cash flows beyond the budget period. If all other assumptions kept the same, a reduction of this growth rate by 25% (March 31, 2023: 181%) would give a value in use equal to the current carrying amount.

(b) Impairment loss:

As at December 31, 2023, the Group conducted an evaluation of the goodwill for potential impairment. Following this assessment, it was determined that the carrying value of the CGU exceeded its recoverable amount. Consequently, an impairment loss of Saudi Riyals 15.75 million was recognized in the consolidated statement of profit or loss. This impairment loss was entirely allocated to the goodwill.

9. EQUITY ACCOUNTED INVESTEE

a) The Group had a 49% shareholding in Mlekoma Dairy Sp. z o.o. ("the associate"), a company incorporated in Poland. The investment was accounted for using equity accounted investment. During the period ended December 31, 2023, the Group intended to sale the equity accounted investee accordingly the equity accounted investee is classified as asset held for sale.

b) The movement in the investment in equity accounted investee for the period / year ended December 31 / March 31 is as follows:

	December 31, 2023	March 31, 2023
Balance at beginning of the period / year	**539**	921
Share of profit / (loss) of equity accounted investee	**729**	(392)
Reclassification to assets held for sale	**(1,353)**	--
Foreign currency translation	**85**	10
Balance at end of the period / year	**--**	539

(All amounts in Saudi Riyals thousands unless otherwise stated)

10. LONG TERM INVESTMENTS

Long term investments comprise of the following:

	December 31, 2023	March 31, 2023
Long term investments	**38,809**	38,258

The Group has invested Saudi Riyals 38 million in Tier 1 Sukuks, issued by Al Rajhi Bank, with a face value of Saudi Riyals 1,000 each. The Sukuks carry mark-up of 5.5% per annum and are classified at amortised cost. The Sukuks are having maturity date of November 16, 2027.

The Sukuks are listed on Tadawul and are currently actively traded in the market. The fair value of the Sukuks at December 31, 2023 was Saudi Riyals 1,000 (March 31, 2023: 1,012.7) per certificate. The investment is made with bank with sound credit rating of “AL” based on Moody’s credit rating.

11. INVENTORIES

Inventories comprise of the following:

	December 31, 2023	March 31, 2023
Raw materials	**212,772**	219,001
Packing materials	**26,476**	17,988
Finished goods	**140,151**	147,483
Spare parts, supplies and other items	**12,552**	19,067
Goods-in-transit	**79,438**	49,477
	471,389	453,016
Less: Provision for inventories (Note 11.1)	**(41,137)**	(33,482)
	430,252	419,534

11.1 Movement in the provision for inventories is as follows:

	December 31, 2023	March 31, 2023
Balance at beginning of the period / year	**33,482**	11,633
Charge for the period / year	**7,655**	21,849
Balance at end of the period / year	**41,137**	33,482

11.2 Provision for inventories is based on the nature of inventories, ageing profile, their expiry, and sales expectation based on historical trends and other qualitative factors.

(All amounts in Saudi Riyals thousands unless otherwise stated)

12. TRADE RECEIVABLES

Trade receivables comprises of the following:

	December 31, 2023	March 31, 2023
Trade receivables	**297,855**	313,583
Less: Allowance for impairment of trade receivables (Note 12.1)	**(29,017)**	(27,771)
	268,838	285,812

Trade receivables are non-interest bearing and are classified as financial assets measured at amortised cost.

12.1 The movement in allowance for impairment loss of trade receivables is as follows:

	December 31, 2023	March 31, 2023
Balance at beginning of the period / year	**27,771**	39,190
Charge / (reversal) for the period / year	**1,246**	(11,419)
Balance at end of the period / year	**29,017**	27,771

The Group does not obtain collaterals over receivables, and the vast majority of receivables are, therefore, unsecured. However, unimpaired receivables are expected to be recoverable based on past experience. Refer Note 34 on the credit risk of trade receivables, which explains how the Group manages and measures the credit quality of trade receivables.

Trade receivables include Saudi Riyals 0.15 million (2022: Nil) due from related parties (note 31).

13. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprises of the following:

	December 31, 2023	March 31, 2023
Prepayments	**18,851**	15,301
Advances to suppliers	**12,365**	12,098
Advances to employees	**18,025**	9,242
Security deposits and others	**8,457**	8,904
	57,698	45,545

(All amounts in Saudi Riyals thousands unless otherwise stated)

14. SHORT TERM INVESTMENTS

Short term investments comprise of the following:

	December 31, 2023	March 31, 2023
Short term murabaha deposits	**674,056**	394,520

a) Short term murabaha deposits represent deposits with local banks that have an original maturity of more than three months and less than twelve months from the investment date.

b) These deposits earn commission at an average rate of 6.00% per annum as at December 31, 2023 (March 31, 2023: 5.10%).

c) The investments are made with banks with sound credit ratings ranging from A1 to A2 based on Moody's credit rating.

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalent as at December 31 comprises of the following:

	December 31, 2023	March 31, 2023
Cash in hand	**2,895**	6,268
Balances with banks	**94,668**	44,717
Short term murabaha deposits with original maturity of less than three months	**251,777**	239,314
	349,340	290,299

a) The rates on short term murabaha deposits ranges from 5.4% to 6.3% per annum for the nine-month period ended December 31, 2023 (March 31, 2023: 4.8% to 5.6% per annum).

b) At December 31, the carrying value of bank balances (included above) and short term murabaha deposits represent its maximum exposure to credit risk without taking into account any collateral and other credit enhancement, and none of the balances is impaired at the reporting date.

16. CAPITAL AND RESERVES

16.1 Share capital

	No. of shares	**December 31, 2023**	March 31, 2023
Authorized capital	**32,500,000**	**325,000**	325,000
Share capital	**32,500,000**	**325,000**	325,000

16. CAPITAL AND RESERVES (continued)

16.1 Share capital (continued)

At December 31, 2023, the Company share capital is Saudi Riyals 325 million consists of 32.5 million fully paid shares of Saudi Riyals 10 each (March 31, 2023: Saudi Riyals 325 million consists of 32.5 million shares of Saudi Riyals 10 each). As at December 31, the Company share capital includes treasury shares acquired during the year ended March 31, 2019.

On November 23, 2022, one of the major shareholders, Al Qurain Petrochemicals Industries Company (“QPIC”) sold its entire shareholding of 13.036 million shares (representing 40.112% of the total share capital of the Group) to Kuwait Projects Company Holding (“KIPCO”).

The legal formalities for the transfer of shares were completed in all respects during the year ended March 31, 2023. At December 31, 2023, the Group’s parent entity is Kuwait Projects Company Holding (“KIPCO”)` and Group’s ultimate parent entity is Al Futtooh Holding Company K.S.C. (Closed).

16.2 Treasury shares

The reserves for the Company’ treasury shares comprise the cost of the Company’s shares held by the Group. At December 31, 2023, the Group held 500,000 of the Company’s shares (March 2023: 500,000). These shares were acquired during the year ended March 31, 2019 at Saudi Riyals 103.12 each.

16.3 Other reserve

Pursuant to Company’s By-Law, the Company has created a voluntary reserve based on shareholders resolution whereby the Company transfers ten percent of its profit attributable to Owners of the Company each year. In the current period, Saudi Riyals 32.8 million was transferred to voluntary reserve (year ended March 31, 2023: Saudi Riyals 30.9 million).

16.4 Foreign currency translation reserve

The reserve comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

(All amounts in Saudi Riyals thousands unless otherwise stated)

17. NON-CONTROLLING INTERESTS

Summarized aggregate financial information of Mlekoma Sp. z o.o. that has material non-controlling interests ("NCI") is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Summarized statement of financial position of Mlekoma Sp. z o.o.

	December 31, 2023	March 31, 2023
Current assets	--	78,667
Current liabilities	--	(23,131)
Net current assets	--	55,536
Non-current assets	--	31,683
Non-current liabilities	--	(288)
Net non-current assets	--	31,395
Net assets	--	86,931
Equity attributable to the owners of the Group	--	66,068
Non-controlling interests	--	20,863
	--	86,931

Summarized statement of comprehensive income of Mlekoma Sp. z o.o.

	December 31, 2023	March 31, 2023
Revenue	--	370,243
Expenses	--	(360,030)
Profit for the year	--	10,213
Profit for the year attributable to:		
Owners of Mlekoma Sp. z o.o.	--	7,660
Non-controlling interests	--	2,553
	--	10,213
Total comprehensive income attributable to:		
Owners of Mlekoma Sp. z o.o.	--	7,660
Non-controlling interests	--	2,553
	--	10,213
Summarized cash flows		
For the year ended		
Cash flows from operating activities	--	(6,543)
Cash flows from investing activities	--	(1,884)
Cash flows from financing activities	--	(188)
Net increase in cash and cash equivalents	--	(8,615)

(All amounts in Saudi Riyals thousands unless otherwise stated)

18. EMPLOYEE BENEFIT OBLIGATIONS

The Group operates an approved unfunded employees end of service benefit plan (EOSB) for its employees as required by the Saudi Arabia Labor law. The entitlement to these benefits, is based upon the employees' last drawn salary and length of service, subject to completion of minimum service period.

An independent actuarial exercise has been conducted by the Group as of December 31, 2023 and March 31, 2023 to ensure the adequacy of the provision for employees end of service benefits in accordance with the rules stated under Saudi Arabian labor law by using the projected unit credit method as required under International Accounting Standards 19: Employee Benefits.

i) Movement in defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance of employees' end-of- service benefits:

	December 31, 2023	March 31, 2023
Balance at beginning of the period / year	**140,138**	128,145
Current service cost included in consolidated statement of profit or loss		
Service cost	**12,740**	14,662
Finance cost	**4,959**	3,623
	17,699	18,285
Included in other comprehensive income		
- Experience adjustment	**1,552**	4,913
Actuarial loss	**1,552**	4,913
Other		
Benefits paid	**(5,335)**	(11,205)
Balance at end of the period / year	**154,054**	140,138

ii) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	December 31, 2023	March 31, 2023
Discount rate %	**5.00%**	4.57%
Future salary growth %	**5.00%**	6.57%
Retirement age	**60 years**	60 years

Assumptions relating to future mortality is based on published statistics and mortality tables. The weighted average duration of the defined benefit obligation as at December 31, 2023 is 10.18 years (March 31, 2023: 10.51 years).

(All amounts in Saudi Riyals thousands unless otherwise stated)

18. EMPLOYEES BENEFIT OBLIGATIONS (continued)

iii) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	December 31, 2023		March 31,2023	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(3,401)**	**3,543**	(3,140)	3,273
Future salary growth (1% movement)	**3,535**	**(3,409)**	3,265	(3,147)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

19. TRADE AND OTHER PAYABLES

Trade and other payables comprise of the following:

	December 31, 2023	March 31, 2023
Trade payables	**301,381**	164,308
Other payables	**20,771**	22,757
	322,152	187,065

The trade and other payables are usually settled within 12 months from the reporting date. Hence the carrying amount of these balances is considered to be the same as their fair values.

Other payables mainly include advances from customer amounting Saudi Riyals 10.3 million (March 31, 2023: Saudi Riyals 8.4 million).

20. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities comprise of the following:

	December 31, 2023	March 31, 2023
Employee related accruals	**91,237**	101,838
Marketing related accruals	**82,908**	75,723
Rent and utility accruals	**47,439**	40,437
Value added tax payable	**14,689**	21,137
Plant and facility maintenance	**14,324**	12,148
Other accruals	**65,096**	68,308
	315,693	319,591

Other accruals mainly include board renumeration, refund liability and other related accruals.

(All amounts in Saudi Riyals thousands unless otherwise stated)

21. NON-CONTROLLING INTEREST PUT OPTION

The Group had recognised non-controlling interests in Mlekoma group at its proportionate share of the acquired net identifiable assets.

The non-controlling interest put option was a binding, irrevocable option to acquire from the non-controlling interest equity holders their remaining shareholding at the expiry date of the option i.e. fifth year of the completion date, in accordance with terms of the sales and purchase agreement ("SPA"). The put option available to the non-controlling interest equity holders was exercisable within a period of 15 business days from the expiry date of the option. The redemption value was recognised as higher of the purchase price as per the SPA or determined by applying the earnings multiplier to the audited EBITDA of Mlekoma group as reduced by net debt in accordance with the SPA. During the period ended December 31, 2023, the put option was exercised by the non-controlling interest (NCI) holders. The total outflow in respect of acquisition of NCI amounts to Saudi Riyals 88.96 million.

22. ZAKAT AND INCOME TAX

The Company files its zakat declaration on an unconsolidated basis. The significant components of the zakat base of the Company and its subsidiaries, which are subject to zakat under zakat and income tax regulations, are principally comprised of shareholders' equity, provisions at beginning of the year, and adjusted net profit, less deduction for the net book value of property, plant and equipment and certain other items.

22.1 Charge for the period / year

The charge for the period / year consists of the following:

	December 31, 2023	March 31, 2023
Zakat charge	**26,743**	25,433
Income tax (refundable) / charge	**(1,865)**	3,220
	24,878	28,653

22.2 Accrued Zakat and income tax

The movement in Zakat and income tax payable is as follows:

	Zakat	**Income tax**	**Total**
At April 1, 2022	22,081	--	22,081
Charge for the year	25,433	3,220	28,653
Payments during the year	(21,765)	(3,220)	(24,985)
At March 31, 2023	25,749	--	25,749
Charge for the period	**26,743**	**(1,865)**	**24,878**
Payments during the period	**(24,665)**	**1,865**	**(22,800)**
At December 31, 2023	**27,827**	**--**	**27,827**

(All amounts in Saudi Riyals thousands unless otherwise stated)

22. ZAKAT AND INCOME TAX (continued)

22.2 Accrued Zakat and income tax (continued)

Zakat charge for the period / year is based on the following:

	December 31, 2023	March 31, 2023
Equity	**1,642,663**	1,495,946
Property, plant and equipment	**(929,413)**	(999,086)
Right-of-use assets	**(57,688)**	(57,050)
Long term investments	**(38,810)**	(38,000)
Provisions and other adjustments	**262,640**	154,134
	879,392	555,944
Adjusted income for the period / year	**374,599**	376,133
Zakat base	**1,253,991**	932,077

22.3 Status of assessments

Zakat assessments for the years up to year ended March 31, 2020, have been finalized with the Zakat, Tax and Customs Authority (ZATCA).

The Company has filed the zakat return for the year ended March 31, 2023 and received the zakat certificate valid until July 31, 2024. ZATCA is yet to issue its final assessments for years 2021, 2022 and 2023.

23. REVENUE

Revenue for the period / year comprise of the following:

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Revenue from sale of drink products	**1,229,150**	1,553,064
Revenue from sale of non-drink products	**882,330**	1,094,949
	2,111,480	2,648,013

(All amounts in Saudi Riyals thousands unless otherwise stated)

23. REVENUE (continued)

Disaggregation of revenue from contracts with customers

Primary geographical markets

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Kingdom of Saudi Arabia	**1,772,878**	2,194,328
Outside Kingdom of Saudi Arabia	**338,602**	453,685
	2,111,480	2,648,013

Timing of recognition of revenue

All revenues of the Group are recognized at point of time when control of the products are transferred to the customer.

24. COST OF SALES

Cost of sales for the period / year comprise of the following:

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Material costs		**1,077,573**	1,462,522
Employee costs		**123,976**	166,583
Depreciation on property, plant and equipment	6	**52,370**	71,226
Depreciation on right-of-use assets	7	**1,309**	1,762
Fuel and transportation costs		**3,296**	46,271
Others		**102,286**	76,940
		1,360,810	1,825,304

(All amounts in Saudi Riyals thousands unless otherwise stated)

25. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the period / year comprise of the following:

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Employee costs		**152,687**	187,647
Advertising and sales promotion		**83,433**	74,701
Depreciation on property, plant and equipment	6	**25,064**	28,498
Depreciation on right-of-use assets	7	**9,168**	11,459
Insurance		**2,835**	3,332
Communication		**1,826**	2,672
Fuel and transportation costs		**7,285**	8,692
Utilities		**5,709**	6,142
Others		**16,559**	27,897
		304,566	351,040

26. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the period / year comprise of the following:

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Employee costs		**57,964**	74,785
Depreciation on property, plant and equipment	6	**2,019**	4,103
Depreciation on right-of-use assets	7	**377**	423
Amortization of intangible assets		**--**	2,557
Subscription costs		**6,956**	8,268
Directors' remuneration and other benefits		**3,392**	4,475
Communication		**2,126**	3,043
Repairs and maintenance costs		**1,990**	2,823
Insurance		**4,370**	1,436
Government related expenses		**3,526**	2,054
Others		**8,772**	9,909
		91,492	113,876

(All amounts in Saudi Riyals thousands unless otherwise stated)

27. OTHER EXPENSES

Other expenses for the period / year comprise of the following:

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Impairment loss on goodwill	8	**15,753**	--
Impairment loss on remeasurement of disposal group	27.1	**148**	--
		15,901	--

27.1 The impairment loss was recognised on the remeasurement of disposal group at the lower of its carrying amount and fair value less cost to sell.

28. FINANCE INCOME

Finance income for the period / year comprise of the following:

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Finance income on murabaha certificates	**31,897**	17,719
Finance income on long term investments	**808**	780
	32,705	18,499

29. FINANCE COSTS

Finance costs for the period / year comprise of the following:

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Finance cost on lease liability	7	**2,066**	2,476
Finance cost on NCI put option		**16,162**	39,732
Others		**4,677**	7,793
		22,905	50,001

30. BASIC AND DILUTIVE EARNINGS PER SHARE

30.1 Basic earnings per share (EPS) is calculated by dividing profit for the period / year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue outstanding during the period / year.

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Profit for the period / year attributable to shareholders of the Company	**327,619**	308,771
The weighted average number of ordinary shares for the purposes of basic and diluted earnings (‘000’) (Note 30.2)	**32,000**	32,000
Basic and diluted earnings per share based on profit for the period / year attributable to shareholders of the Company (Saudi Riyals)	**10.24**	9.65

30.2 Weighted average number of ordinary shares in issue is calculated as follows:

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Issued ordinary shares at beginning of the period / year	**32,500**	32,500
Effect of treasury share held	**(500)**	(500)
Weighted average number of ordinary shares outstanding at end of the period / year	**32,000**	32,000

The diluted EPS is same as the basic EPS as the Group does not have any dilutive instruments in issue.

31. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions were undertaken in the ordinary course of business at commercially agreed terms and were approved by the management. For the purpose of these consolidated financial statements, related parties are identified as affiliates of the Group includes entities which are subsidiaries and subsidiaries and associates of KIPCO Group and key management personnel including close family members.

Significant related party transactions and balances for the period ended December 31 and year ended March 31 and balances arising there-from are described as under:

(All amounts in Saudi Riyals thousands unless otherwise stated)

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) Due to related parties:

Transaction with	Nature of transaction	Transactions with related parties		Closing balance	
		For the nine-month period ended December 31, 2023	For the year ended March 31, 2023	**December 31, 2023**	March 31, 2023
Buruj Co-operative Insurance Company (associate of parent company) (*)	Insurance premium	**6,757**	9,336	**1,866**	2,507
PKC Advisory (associate of parent company)	Consultancy services	**1,469**	1,348	--	--
Alternative Energy Projects Co. (associate of parent company)	Purchase and installation of solar energy systems	**542**	881	**71**	881
Axa Cooperative Insurance (associate of parent company) (*)	Insurance premium	**516**	657	**7**	3
				1,944	3,391

(*) These transactions represent the insurance expense.

b) Due to related parties under accrued and other liabilities:

Transaction with	Nature of transaction	Transactions with related parties		Closing balance	
		For the nine-month period ended December 31, 2023	For the year ended March 31, 2023	**December 31, 2023**	March 31, 2023
Board of Directors and other committees	Remuneration	**2,700**	4,475	**2,700**	4,475

(All amounts in Saudi Riyals thousands unless otherwise stated)

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Due from related parties under trade receivables:

Name	Nature of transaction	Transactions with related parties: For the nine-month period ended December 31, 2023	Transactions with related parties: For the year ended March 31, 2023	Closing balance: December 31, 2023	Closing balance: March 31, 2023
Specialized Food Services	Sale of goods	**150**	--	**150**	--

Compensation of key management personnel of the Group

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Short term and long term employee benefits	**7,487**	13,397
Termination benefits	**397**	530
Total compensation paid to key management personnel	**7,884**	13,927

32. SEGMENT INFORMATION

32.1 Operating segment

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and are managed separately because they require different marketing strategies. The Group's Board of Directors and Chief Executive Officer monitor the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the chief operating decision makers (CODM) for the Group.

Segment results that are reported to CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

For each of the strategic business units, the CODM reviews internal management reports on at least a quarterly basis. No operating segments have been aggregated to form the above reportable operating segments.

The drinks segment represents milk and juice products, while non–drinks represent ice creams, tomato paste, cheese and snacks.

(All amounts in Saudi Riyals thousands unless otherwise stated)

32. SEGMENT INFORMATION (continued)

32.1 Operating segment (continued)

The following table presents segment information for the period ended December 31:

	Drinks	Non- drinks	Unallocated	Total
For the nine-month period ended December 31, 2023				
Segment profit or loss				
Segment revenue	1,272,979	977,379	--	2,250,358
Inter-segment revenue	(43,829)	(95,049)	--	(138,878)
Revenue from external customers	1,229,150	882,330	--	2,111,480
Profit before zakat and income tax	219,590	98,811	31,459	349,860
Depreciation and amortization	(63,687)	(26,620)	--	(90,307)
Finance income	--	--	32,705	32,705
Finance cost	(1,588)	(21,317)	--	(22,905)
Share of loss of equity accounted investee	--	729	--	729
Impairment loss on trade receivables	--	--	(1,246)	(1,246)
Other expenses	--	(15,901)	--	(15,901)
As at December 31, 2023				
Segment assets				
Property, plant and equipment	633,124	262,640	--	895,764
Right-of-use assets	44,593	17,890	--	62,483
Intangible assets	4,361	1,809	--	6,170
Other non-current assets	--	6,381	239	6,620
Long term investments	--	--	38,809	38,809
Current assets	901,432	529,412	350,545	1,781,389
Total assets	1,583,510	818,132	389,593	2,791,235
Segment liabilities				
Current liabilities	8,566	126,441	549,778	684,785
Lease liabilities – non-current portion	37,906	12,655	--	50,561
Employee benefit obligations	--	786	153,268	154,054
Total liabilities	46,472	139,882	703,046	889,400

(All amounts in Saudi Riyals thousands unless otherwise stated)

32. SEGMENT INFORMATION (continued)

32.1 Operating segment (continued)

	Drinks	Non- drinks	Unallocated	Total
For the year ended March 31, 2023				
Segment profit or loss				
Segment revenue	1,600,762	1,221,045	--	2,821,807
Inter-segment revenue	(47,698)	(126,096)	--	(173,794)
Revenue from external customers	1,553,064	1,094,949	--	2,648,013
Profit before zakat and income tax	217,636	91,562	29,919	339,117
Depreciation and amortization	(80,608)	(39,420)	--	(120,028)
Finance income	--	--	18,499	18,499
Finance cost	(2,058)	(40,150)	(7,793)	(50,001)
Share of loss of equity accounted investee	--	392	--	392
Reversal of impairment loss on trade receivables	--	--	11,419	11,419
As at March 31, 2023				
Segment assets				
Property, plant and equipment	631,164	294,915	--	926,079
Right-of-use assets	51,662	11,017	--	62,679
Intangible assets	--	15,753	--	15,753
Other non-current assets	--	5,165	--	5,165
Equity accounted investee	--	--	539	539
Long term investments	--	--	38,258	38,258
Current assets	62,234	133,459	1,240,017	1,435,710
Total assets	745,060	460,309	1,278,814	2,484,183
Segment liabilities				
Current liabilities	9,240	138,446	469,165	616,851
Lease liabilities – non- current portion	42,982	8,665	--	51,647
Employee benefit obligations	--	271	139,867	140,138
Total liabilities	52,222	147,382	609,032	808,636

(All amounts in Saudi Riyals thousands unless otherwise stated)

32. SEGMENT INFORMATION (continued)

32.1 Operating segment (continued)

The management has categorised its geographical operations as follows:

Geographic information	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Revenue from external customers		
Kingdom of Saudi Arabia	**1,772,878**	2,194,328
Poland	**165,438**	276,013
Gulf Cooperation Council (GCC) countries	**60,089**	63,611
Others	**113,075**	114,061
	2,111,480	2,648,013
Non-current assets		
Kingdom of Saudi Arabia	**908,442**	935,322
Poland	**44,987**	54,460
Gulf Cooperation Council (GCC) countries	**8,904**	11,080
Others	**8,704**	9,353
	971,037	1,010,215

33. FINANCIAL INSTRUMENTS

33.1 Financial assets

	Notes	December 31, 2023	March 31, 2023
Non-Derivative Financial Assets			
Financial assets at amortised cost			
Long term investments	10	**38,809**	38,258
Trade receivables	12	**268,838**	285,812
Short term investments	14	**674,056**	394,520
Cash and cash equivalents	15	**349,340**	290,299
Other receivables	13	**4,167**	5,038
Total financial assets		**1,335,210**	1,013,927

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

33. FINANCIAL INSTRUMENTS (continued)

33.2 Financial liabilities

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Non-Derivative financial liabilities			
Financial liabilities at amortized cost			
Accrued expense and other liabilities	20	**301,004**	298,454
Trade and other payables	19	**322,152**	187,065
Lease liabilities	7	**64,033**	63,944
Dividend payables		**3,697**	3,595
Due to related parties	31	**1,944**	3,391
Total financial liabilities		**692,830**	556,449
Financial liabilities at fair value through profit or loss			
Non-controlling interest put option		**--**	65,163
Total financial liabilities		**692,830**	621,612

The carrying amount of financial assets and liabilities approximates their fair value.

33.3 Financial instruments carried at fair value

a) Valuation techniques used to determine fair values

The Group has used specific valuation technique to value non-controlling interest put option by using present value of future earnings method.

(All amounts in Saudi Riyals thousands unless otherwise stated)

33. FINANCIAL INSTRUMENTS (continued)

33.3 Financial instruments carried at fair value (continued)

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

	Non-controlling interest put option	
	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
April 1, 2023	**65,163**	24,229
Net changes in fair value of non-controlling interest put option	**16,162**	39,732
Settlement of put option liabilities	**(88,967)**	--
Exchange differences	**7,642**	1,202
December 31, 2023	**--**	65,163

c) Valuation process

A number of the Group's accounting policies and disclosures require the measurement of fair values. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team from an affiliated group of KIPCO that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the chief financial officer (CFO). The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the applicable standards, including the level in the fair value hierarchy in which the valuations should be classified. There were no changes in the valuation techniques during the period / year.

At each financial period-end / year-end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements, if any.

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's principal financial liabilities comprise trade and other payables, accrued expenses and other liabilities, dividend payables, due to related parties and lease liabilities. The Group's principal financial assets include trade and other receivables and cash and cash equivalents. The carrying amounts of the Group's financial instruments are reasonable approximations of fair values.

Risk management framework

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees on policies for managing each of these risks, which are summarized below:

Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to changes in the credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market. Market risk comprises three types of risk: interest rate risk, currency risk, and other price risk such as equity price risk.

The sensitivity analyses in the following sections relate to the position as at December 31, 2023 and March 31, 2023.

i) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. At December 31, 2023 and March 31, 2023, the Group does not have any borrowings, and accordingly, no interest rate risk sensitivity is presented. Interest-bearing financial assets comprise of short term murabaha deposits and long term investments in sukuks certificates which are at fixed interest rates; therefore, they have no material exposure to cash flow interest rate risk and fair value interest rate risk.

(All amounts in Saudi Riyals thousands unless otherwise stated)

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Market risk (continued)

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional and reporting currency is in Saudi Riyals. The Group's transactions are principally in Saudi Riyals. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant. The Group is not exposed to any significant foreign currency risk from Saudi Riyals, and US Dollars denominated financial instruments. However, the Group has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between local currencies against Bahraini Dinars, Polish Złoty, Kuwaiti Dinars, Jordanian Dinars, and Qatari Riyals. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

Following is the exposure classified into separate foreign currencies:

	Average Rate		**Spot Rate**	
	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023	**As at December 31, 2023**	As at March 31, 2023
Foreign currency per Saudi Riyal				
US Dollar	**3.752**	3.752	**3.752**	3.752
Polish zloty	**0.910**	0.830	**0.951**	0.869
Kuwaiti dinar	**12.329**	12.447	**12.368**	12.371
Bahraini dinar	**9.961**	10.006	**9.959**	9.962
Jordanian dinar	**5.373**	5.423	**5.463**	5.297
Qatari riyal	**1.033**	1.035	**1.041**	1.024

Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase profit before zakat and income tax for the period / year by Saudi Riyals 0.31 million (March 31, 2023: Saudi Riyals 0.22 million).

iii)Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Group does not have any financial instruments which are subject to other price risk.

(All amounts in Saudi Riyals thousands unless otherwise stated)

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Credit risk

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by assessing the credit worthiness of counter parties before entering into transactions as well as monitoring any outstanding exposures on a periodic basis to ensure timely settlement. Credit risk arises from cash and cash equivalents, trade receivables, investments and other receivables.

The Group's maximum exposure to credit risk at the reporting date is as follows:

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Financial assets			
Long term investments	10	**38,809**	38,258
Trade receivables	12	**268,838**	285,812
Short term investments	14	**674,056**	394,520
Cash and cash equivalents	15	**349,340**	290,299
Security deposits and others	13	**4,167**	5,038
		1,335,210	1,013,927

a) Trade receivables

Customer credit risk is managed by each business unit subject to the Group’s established policy, procedures, and controls relating to customer credit risk management. The credit quality of the customer is assessed based on a set of qualitative and quantitative factors, and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and provided that are considered doubtful of recovery.

At each reporting date, the Group assesses whether trade receivables carried at amortised cost are credit impaired. A trade receivable is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the trade receivables have occurred. A trade receivable that has been renegotiated due to deterioration in the customer's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

At December 31, 2023, the Group had five customers that accounted for approximately 48% (March 31, 2023: 47%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 84% (March 31, 2023: 88%) in KSA, 7% (March 31, 2023: 4%) in GCC (other than KSA) and 9% (March 31, 2023: 8%) in other countries. Due to short term nature of the trade receivable, their carrying amount is considered to be the same as their fair value.

The requirement for impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. Where recoveries are made, these are recognised in the consolidated statement of profit or loss. The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

(All amounts in Saudi Riyals thousands unless otherwise stated)

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Credit risk (continued)

The Group establishes that there is no reasonable expectation of recovery once they are not subject to enforcement activity.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience (21 quarter-periods) and is adjusted for average historical recovery rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Impairment loss on financial assets recognised in the consolidated statement of profit or loss were as follows:

	Note	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Impairment / (reversal of) loss on trade receivables	12	**1,246**	(11,419)

The following table provides information about the exposure to credit risk and ECLs for trade receivables from external customers:

December 31, 2023	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**
Current (not past due)	**0.03% - 0.26%**	**251,950**	**186**
1–90 days past due	**1.03% - 4.17%**	**10,008**	**116**
90–180 days past due	**4.53% - 16.51%**	**1,462**	**137**
180+ days past due	**17.01% - 19.14%**	**803**	**145**
Specific provision	**84.54%**	**33,632**	**28,433**
	9.74%	**297,855**	**29,017**

March 31, 2023	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.03% - 0.26%	272,790	202
1–90 days past due	1.03% - 4.17%	11,696	144
90–180 days past due	4.53% - 16.51%	487	45
180+ days past due	66.28% - 100%	3,648	2,418
Specific provision	100%	24,962	24,962
	12.66%	313,583	27,771

(All amounts in Saudi Riyals thousands unless otherwise stated)

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Credit risk (continued)

At December 31, the exposure to credit risk for trade receivables by geographic location was as follows:

Geographic information	December 31, 2023	March 31, 2023
Trade Receivables		
Kingdom of Saudi Arabia	**248,839**	274,594
Poland	**26,069**	16,910
Gulf Cooperation Council (GCC) countries	**13,276**	12,786
Others	**9,671**	9,293
	297,855	313,583

b) Cash and cash equivalents and investments

Credit risk from balances with banks and investments is managed in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis and may be updated throughout the period. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group deals with reputable banks with investment grade credit ratings and the credit quality of the cash and cash equivalents and investments can be assessed by reference to external credit ratings.

The cash and cash equivalents and investments are treated under stage 1 and are held with bank and financial institution counterparties, which are rated A1 to A2, based on Moody's credit ratings.

c) Other receivables

Other receivables credit risk is managed by management and relates to non-trade receivables. Other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on the management's impairment assessment, there is no provision required in respect of these balances for the period / year presented.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. This includes consideration of future cashflow forecasts, prepared using assumptions about the nature, timing and amount of future transactions, planned course of actions and other committed cash flows that can be considered reasonable and achievable in the circumstances of the Group. The Group monitors its liquidity risk by regular working capital excess/shortage assessment and ensuring that it has adequate liquidity to fund its day-to-day operations. Where necessary, the Group may enter into borrowing facilities with banks in order to ensure continued funding of operations.

(All amounts in Saudi Riyals thousands unless otherwise stated)

34. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES (continued)

Liquidity risk (continued)

Excessive risk concentration:

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversification. Identified concentrations of credit risks are controlled and managed accordingly.

The table below summarizes the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments:

December 31, 2023	**Carrying amount**	**On demand**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Trade and other payables	**322,152**	**--**	**322,152**	**--**	**--**	**322,152**
Accruals and other liabilities	**301,004**	**--**	**301,004**	**--**	**--**	**301,004**
Dividend payables	**3,697**	**3,697**	**--**	**--**	**--**	**3,697**
Due to related parties	**1,944**	**--**	**1,944**	**--**	**--**	**1,944**
Lease liabilities	**64,033**	**--**	**14,371**	**28,181**	**41,687**	**84,239**
	692,830	**3,697**	**639,471**	**28,181**	**41,687**	**713,036**

March 31, 2023	Carrying amount	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other payables	187,065	--	187,065	--	--	187,065
Accruals and other liabilities	298,454	--	298,454	--	--	298,454
Dividend payables	3,595	3,595	--	--	--	3,595
Due to related parties	3,391	--	3,391	--	--	3,391
Non-controlling interest put option	65,613	--	65,163	--	--	65,163
Lease liabilities	63,944	--	15,379	28,979	43,855	88,213
	622,062	3,595	569,452	28,979	43,855	645,881

(All amounts in Saudi Riyals thousands unless otherwise stated)

35. CAPITAL MANAGEMENT

The Group's objective when managing capital is to safeguard the Group's ability as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its businesses. The primary objective of the Group's capital management is to maximize the shareholder value.

For the purpose of the Group's capital management, capital includes issued share and paid-up capital, statutory reserve, other reserve, treasury reserve, foreign currency translation reserve and retained earnings.

The Group manages its capital structure and makes adjustment in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares.

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Total liabilities	**889,400**	808,636
Cash and cash equivalents	**(349,340)**	(290,299)
Net debt	**540,060**	518,337
Share capital	**325,000**	325,000
Statutory reserve	**162,500**	162,500
Other reserve	**366,811**	334,049
Treasury shares	**(51,559)**	(51,559)
Foreign currency translation reserve	**(11,570)**	(10,401)
Retained earnings	**1,110,349**	893,577
Non-controlling interests	**304**	22,381
Total equity	**1,901,835**	1,675,547
Net debt to equity ratio	**0.28**	0.31

36. FAIR VALUE OF ASSETS AND LIABILITIES

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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

36. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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 by using the asset in its highest and best use or by selling it to another market participant that would use 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, 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

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair values of financial instruments are not materially different from their carrying values.

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Long term investments	**38,000**	**--**	**--**	**38,000**
Assets held for sale	**--**	**1,205**	**--**	**1,205**
March 31, 2023				
Long term investments	38,483	--	--	38,483
Non-controlling interest put option	--	65,163	--	65,163

** The fair value of the assets held for sale is determined based on the subsequent selling price of the asset.*

During the year ended March 31, 2023, the fair value hierarchy of the Non-controlling interest put option has changed from level 3 to level 2 as the redemption amount is estimated in line with the transaction agreements and is based on the actual FY22 consolidated results of Mlekoma.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, it does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

(All amounts in Saudi Riyals thousands unless otherwise stated)

36. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

December 31, 2023	**Carrying amount**			
Description:	**Amortised cost**	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Total**
Financial assets not measured at fair value				
Long term investments	**38,809**	--	--	**38,809**
Trade receivables	**268,838**	--	--	**268,838**
Short term investments	**674,056**	--	--	**674,056**
Cash and cash equivalents	**349,340**	--	--	**349,340**
Other receivables	**4,167**	--	--	**4,167**
Financial liabilities measured at fair value				
Non-controlling put option	--	--	--	--
Financial liabilities not measured at fair value				
Accrued expenses and other liabilities	**301,004**	--	--	**301,004**
Trade and other payables	**322,152**	--	--	**322,152**
Lease liabilities	**64,033**	--	--	**64,033**
Dividend payables	**3,697**	--	--	**3,697**
Due to related parties	**1,944**	--	--	**1,944**

March 31, 2023	Carrying amount			
Description:	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Financial assets not measured at fair value				
Long term investments	38,258	--	--	38,258
Trade receivables	285,812	--	--	285,812
Short term investments	394,520	--	--	394,520
Cash and cash equivalents	290,299	--	--	290,299
Other receivables	5,038	--	--	5,038
Financial liabilities measured at fair value				
Non-controlling put option	--	65,163	--	65,163
Financial liabilities not measured at fair value				
Accrued expenses and other liabilities	298,454	--	--	298,454
Trade and other payables	187,065	--	--	187,065
Lease liabilities	63,944	--	--	63,944
Dividend payables	3,595	--	--	3,595
Due to related parties	3,391	--	--	3,391

37. DIVIDENDS

In the Extraordinary General Assembly Meeting of the Company held on August 22, 2023, the shareholders approved final dividend of Saudi Riyals 3 per share (March 31, 2023: Saudi Riyals 3 per share) amounting to Saudi Riyals 96 million (March 31, 2023: Saudi Riyals 96 million).

38. CONTINGENCIES, COMMITMENTS AND OTHER INFORMATION

38.1 Contingencies

- As at December 31, 2023, the banks have issued letter of guarantees on behalf of Group amounting to Saudi Riyals 2 million (March 31, 2023: Saudi Riyals 1.4 million) for various business needs.

38.2 Commitments and other information

- As at December 31, 2023, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 64.8 million (March 31, 2023: Saudi Riyals 24.6 million).

39. SUBSEQUENT EVENTS

The Board of directors of the Group, in their meeting held on December 11, 2023, approved to sell its 49% shares in its equity accounted investee i.e. Mlekoma Dairy Sp. z o.o. On January 29, 2024, the Group has sold its investment in equity accounted investee at Saudi Riyals 1.2 million.

The Board of directors of the Group in their meeting held on February 27, 2024 approved the distribution of dividend at Saudi Riyals 6 per share, amounting to Saudi Riyals 192 million. The consolidated financial statements for the period ended December 31, 2023, do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2024.

Except for above, there have been no significant subsequent events since the period end up to and including the date of the approval of these consolidated financial statements by the Board of Directors that would require disclosures or adjustments in these consolidated financial statements.

40. AUTHORIZATION OF FINANCIAL INFORMATION

These consolidated financial statements were approved and authorized for issue by the Board of Directors of Group on March 25, 2024, corresponding to Ramadan 15, 1445H.