

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

**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION  
AND REVIEW REPORT FOR THE THREE-MONTH AND NINE-MONTH PERIODS  
ENDED DECEMBER 31, 2017**

**SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**  
**(A Saudi Joint Stock Company)**  
**UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**  
**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED DECEMBER 31, 2017**

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## **REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION**

To the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO):  
(A Saudi Joint Stock Company)

### **Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudia Dairy & Foodstuff Company (the "Company" or "SADAFCO", together with its subsidiaries referred to as the "Group") as of December 31, 2017 and the related condensed consolidated statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended, and the condensed consolidated interim statements of changes in equity and cash flows for the nine-month period ended December 31, 2017 and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.


### **Scope of review**

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

### **Conclusion**

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

**PricewaterhouseCoopers**

By:   
Mufaddal A. Ali  
License Number 447

January 18, 2018





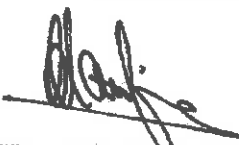
**SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of profit or loss**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Note	Three-month period ended December 31,		Nine-month period ended December 31,	
		2017	2016	2017	2016
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue – net	4	419,932	436,089	1,314,089	1,356,859
Cost of revenue		(270,490)	(277,108)	(818,120)	(833,844)
<b>Gross profit</b>		<b>149,442</b>	<b>158,981</b>	<b>495,949</b>	<b>523,015</b>
Selling and distribution expenses		(68,440)	(68,481)	(211,244)	(212,405)
General and administrative expenses		(20,516)	(19,367)	(67,768)	(71,421)
Other operating income		277	2,926	900	3,562
<b>Operating profit</b>		<b>60,763</b>	<b>74,059</b>	<b>217,837</b>	<b>242,751</b>
Finance income		1,589	2,564	4,923	5,671
<b>Profit before zakat</b>		<b>62,352</b>	<b>76,623</b>	<b>222,760</b>	<b>248,422</b>
Zakat		(4,048)	(8,608)	(12,483)	(18,000)
<b>Profit for the period</b>		<b>58,304</b>	<b>68,015</b>	<b>210,277</b>	<b>230,422</b>
<b>Profit is attributable to:</b>					
Owners of SADAFCO		58,517	67,837	210,749	229,836
Non-controlling interests		(213)	178	(472)	586
		<b>58,304</b>	<b>68,015</b>	<b>210,277</b>	<b>230,422</b>
<b>Earnings per share:</b>					
Basic and dilutive earnings per share (Saudi Riyals) attributable to owners of SADAFCO	6	1.80	2.09	6.48	7.07

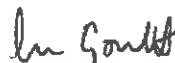
The notes from 1 to 18 form part of this condensed consolidated interim financial information.



Mussad Abdullah Al Nassar  
Member Board of Directors



Waltherus Cornelis Petrus Matthijs  
Chief Executive Officer



Ian David Gowllett  
Chief Financial Officer

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

	Three-month period ended December 31,		Nine-month period ended December 31,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
<b>Profit for the period</b>	<b>58,304</b>	<b>68,015</b>	<b>210,277</b>	<b>230,422</b>
<b>Other comprehensive income</b>				
Items that may be reclassified to profit or loss				
Exchange difference on translation of foreign operations	(192)	(217)	(111)	(323)
Items that will not to be reclassified to profit or loss				
Re-measurement gain on employee benefit obligations	-	1,821	-	5,463
<b>Other comprehensive income for the period</b>	<b>(192)</b>	<b>1,604</b>	<b>(111)</b>	<b>5,140</b>
<b>Total comprehensive income for the period</b>	<b>58,112</b>	<b>69,619</b>	<b>210,166</b>	<b>235,562</b>
<b>Total comprehensive income for the period is attributable to:</b>				
Owners of SADAFCO	58,362	69,435	210,675	235,536
Non-controlling interests	(250)	184	(509)	26
	<b>58,112</b>	<b>69,619</b>	<b>210,166</b>	<b>235,562</b>

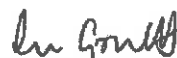
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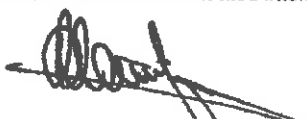
**SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of financial position**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Note	December 31, 2017 (Unaudited)	March 31, 2017 (Audited)	April 1, 2016 (Audited)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	7	644,236	598,004	577,203
Available-for-sale investment		243	243	243
		<u>644,479</u>	<u>598,247</u>	<u>577,446</u>
<b>Current assets</b>				
Inventories	8	411,158	321,429	381,120
Trade and other receivables	9	166,255	161,798	171,192
Deposits, prepayments and other assets	10	18,272	16,840	14,462
Cash and cash equivalents		471,837	543,914	246,284
		<u>1,067,522</u>	<u>1,043,781</u>	<u>813,058</u>
<b>Total assets</b>		<u>1,712,001</u>	<u>1,642,028</u>	<u>1,390,504</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Issued share and paid up capital		325,000	325,000	325,000
Statutory reserve		162,500	162,500	162,500
Other reserves		202,910	181,835	151,734
Foreign currency translation reserves		(1,019)	(945)	(1,178)
Retained earnings		587,384	592,710	444,650
<b>Equity attributable to owners of SADAFCO</b>		<u>1,276,775</u>	<u>1,261,100</u>	<u>1,082,706</u>
Non-controlling interests		412	1,589	1,365
<b>Total equity</b>		<u>1,277,187</u>	<u>1,262,689</u>	<u>1,084,071</u>
<b>Non-current liability</b>				
Employee benefit obligations	12	106,194	107,835	109,935
<b>Current liabilities</b>				
Trade and other payables	13	137,928	99,380	67,304
Accruals and other liabilities		178,183	150,359	112,592
Due to a related party		96	1,108	-
Accrued zakat		12,413	20,677	16,602
		<u>328,620</u>	<u>271,524</u>	<u>196,498</u>
<b>Total liabilities</b>		<u>434,814</u>	<u>379,359</u>	<u>306,433</u>
<b>Total equity and liabilities</b>		<u>1,712,001</u>	<u>1,642,028</u>	<u>1,390,504</u>

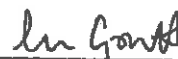
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Mussad Abdullah Al Nassar  
Member Board of Directors



Waltherus Cornelis Petrus Matthijs  
Chief Executive Officer



Ian David Goulett  
Chief Financial Officer

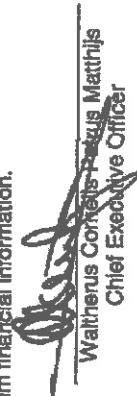
**SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**  
**(A Saudi Joint Stock Company)**  
**Condensed consolidated interim statement of changes in equity**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

	Attributable to owners of SADAFCO					
	Issued share and paid up capital	Statutory reserve	Other reserves	Foreign currency translation reserves	Retained earnings	Total equity
Balance at April 1, 2016 (audited)	325,000	162,500	151,734	(1,178)	444,850	1,084,071
Profit for the period	-	-	-	-	229,836	229,836
Other comprehensive income	-	-	-	237	5,463	5,700
Total comprehensive income for the period	-	-	-	237	235,299	235,536
Dividend declared (Note 18)	-	-	-	-	(130,000)	(130,000)
Transfer to other reserves	-	-	22,780	-	(22,780)	-
Balance at December 31, 2016 (unaudited)	325,000	162,500	174,514	(941)	527,169	1,189,633
Balance at April 1, 2017 (audited)	325,000	162,500	181,835	(945)	592,710	1,261,100
Profit for the period	-	-	-	-	210,749	210,749
Other comprehensive income	-	-	-	(74)	-	(74)
Total comprehensive income for the period	-	-	-	(74)	210,749	210,675
Dividend declared (Note 18)	-	-	-	-	(195,000)	(195,000)
Transfer to other reserves	-	-	21,075	-	(21,075)	-
Balance at December 31, 2017 (unaudited)	325,000	162,500	202,910	(1,019)	587,384	1,276,775

The notes from 1 to 18 form part of this condensed consolidated interim financial information.



**Muead Abdulh Al Nassar**  
Member Board of Directors



**Wathrus Cornelis Patus Matthijs**  
Chief Executive Officer



**Ian David Gowllett**  
Chief Financial Officer



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

	Note	Nine-month period ended December 31,	
		2017 (Unaudited)	2016 (Unaudited)
<b>Cash flow from operating activities</b>			
Profit before zakat		222,760	248,422
<u>Adjustments for:</u>			
Depreciation on property, plant and equipment		48,875	56,778
Loss / (gain) on disposal of property and equipment		101	(939)
Provision for doubtful accounts	9	2,587	2,887
Provision for slow moving and obsolete inventories	8	3,126	5,388
Provision for employee benefit obligations	12	9,039	9,857
		<u>286,488</u>	<u>322,393</u>
<u>Working capital</u>			
Inventories		(92,855)	35,652
Trade and other receivables		(7,044)	(8,116)
Deposits, prepayments and other assets		(1,832)	(2,404)
Trade and other payables		38,548	24,488
Due to a related party		(1,012)	-
Accruals and other liabilities		<u>27,824</u>	<u>25,211</u>
		<u>250,317</u>	<u>307,224</u>
Employee benefit obligations paid	12	(10,880)	(4,991)
Zakat paid		<u>(20,747)</u>	<u>(16,342)</u>
Net cash inflow from operating activities		<u>218,890</u>	<u>375,891</u>
<b>Cash flow from investing activities</b>			
Sale proceeds from disposal of property and equipment		104	1,397
Purchases of property, plant and equipment	7	(95,312)	(61,536)
Net cash outflow from investing activities		<u>(95,208)</u>	<u>(60,139)</u>
<b>Cash flow from financing activities</b>			
Dividend paid to owners of SADAFCO	18	(195,000)	(130,000)
Dividends paid to non-controlling interests in subsidiaries		(648)	-
Cash outflow from financing activities		<u>(195,648)</u>	<u>(130,000)</u>
<b>Net change in cash and cash equivalents</b>		<u>(71,966)</u>	<u>185,752</u>
Effects of exchange rate fluctuations on cash and cash equivalents		(111)	(323)
Cash and cash equivalents at beginning of the period		<u>543,914</u>	<u>246,284</u>
Cash and cash equivalents at end of the period		<u>471,837</u>	<u>431,713</u>

The notes from 1 to 18 form part of this condensed consolidated interim financial information.

  
Mussad Abdullah Al Nassar  
Member Board of Directors

  
Waltherus Cornelis Petrus Matthijs  
Chief Executive Officer

  
Ian David Gowlett  
Chief Financial Officer

**SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)****(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and nine-month periods ended December 31, 2017****(All amounts in Saudi Riyals thousands unless otherwise stated)****1. General Information**

Saudia Dairy & Foodstuff Company (the "Company" or "SADAFCO", together with its subsidiaries referred to as the "Group") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia as per Ministry of Commerce and industry's resolution number 27 dated Muharam 2, 1438H (October 4, 2016) and under Commercial Registration number 4030009917 issued in Jeddah dated Rabi Al-Akhar 21, 1396H (April 22, 1976).

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

On January 18, 2018, this condensed consolidated interim financial information was authorized for issue by the Board of Directors.

**2. Basis of preparation and adoption of International Financial Reporting Standards ("IFRS")****2.1 Basis of preparation**

The condensed consolidated interim financial information of the Group has been prepared in compliance with International Accounting Standard 34 'Interim Financial Reporting' ("IAS 34") and IFRS 1 "First-time adoption of International Financial Reporting Standards", with its date of transition being April 1, 2016, as well as other standards and pronouncements as endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA") in the Kingdom of Saudi Arabia.

For all periods up to and including the period ended March 31, 2017, the Group prepared its consolidated financial statements in accordance with local Generally Accepted Accounting Principles ("GAAP") as issued by SOCPA ("previous GAAP"). The Group will prepare its first annual consolidated financial statements for the year ended March 31, 2018 in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. This condensed consolidated interim financial information for the three-month and nine-month periods ended December 31, 2017 has been prepared in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia for part of the period covered by the IFRS annual consolidated financial statements. Refer to Note 3 for information on how the Company has adopted IFRS as endorsed in the Kingdom of Saudi Arabia.

This condensed consolidated interim financial information does not include all the information and disclosure required in the annual consolidated financial statements. IAS 34 states that the interim financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 require less disclosure in the interim financial information than IFRS require in annual financial statements. However, since the Group's latest annual financial statements were prepared using previous GAAP, this general purpose condensed consolidated interim financial information includes the accounting policies adopted and some additional disclosures to enable the users to understand how the transition to IFRS has affected previously reported amounts.

The condensed consolidated interim financial information has been prepared on a historical cost basis (except for available for sale investment which are stated at fair values). The condensed consolidated interim financial information is presented in Saudi Riyals being the functional currency of the Company and all values are rounded to nearest thousand except otherwise indicated.

**2.2 Standards, interpretations and amendments issued but not yet effective**

Since the Group has adopted IFRS effective April 1, 2016 as endorsed by SOCPA in the Kingdom of Saudi Arabia, all amendments / interpretations as applicable to the Group are considered until such date. The Group has not elected to early adopt any IFRS as at April 1, 2016.

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the condensed consolidated interim financial information are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

<b>Standard/ Interpretation</b>	<b>Description and requirements</b>	<b>Effective from periods beginning on or after the following date</b>
IFRS 15	IFRS 15 establishes a five step model for all types of revenue contracts, accordingly revenue can either be recognised at a point in time or over a period of time. The standard replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for Construction of Real Estate and IFRIC 18 Transfer of Assets from Customers.	January 1, 2018

**SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**  
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**Notes to the condensed consolidated interim financial information for the three-month and nine-month periods ended December 31, 2017**  
**(All amounts in Saudi Riyals thousands unless otherwise stated)**

<i>Standard/ Interpretation</i>	<i>Description and requirements</i>	<i>Effective from periods beginning on or after the following date</i>
Amendments to IFRS 15, "Revenue from contracts with customers"	Clarification of the guidance on identification of performance obligations, accounting for licences of intellectual property and the principal versus agent assessment.	January 1, 2018
IFRS 9	IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.	January 1, 2018
Amendments to IFRS 9, "Financial instrument"	Prepayment features with negative compensation and treatment of de-recognition of financial liability measured at amortised cost.	January 1, 2019
IFRS 16	IFRS 16 features a right of use (ROU) model that would require lessees to recognise most leases on the balance sheet as lease liabilities with corresponding right of use assets.	January 1, 2019
IFRIC 22	Foreign currency transactions and advance consideration	January 1, 2021
IFRIC 23	Uncertainty over income tax treatments.	January 1, 2019

The Group is currently assessing the implications of adopting the above-mentioned standards on the Group's condensed consolidated interim financial information.

## **2.3 Principles of Consolidation**

### ***Subsidiary companies***

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

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 during the period are included in the condensed consolidated interim financial information from the date the Group obtains 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 Owners of SADAFCO 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 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 derecognizes the related assets (including goodwill) if any, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the condensed consolidated interim statement of profit or loss.

**SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**

**(A Saudi Joint Stock Company)**

**Notes to the condensed consolidated interim financial information for the three-month and nine-month periods ended December 31, 2017**

**(All amounts in Saudi Riyals thousands unless otherwise stated)**

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**2.4 Summary of significant accounting policies**

The following are the significant accounting policies applied by the Group in preparing its condensed consolidated interim financial information:

**a) 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 condensed consolidated interim financial information 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 condensed consolidated interim financial information 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.

**b) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BOD) and CEO (chief operating decision maker, CODM). The CODM assesses the financial performance and position of the Group, and makes strategic decisions.

**c) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

**Sale of goods**

Sales represent amounts received and receivable for goods supplied to customers after deducting trade discounts, cash discounts and rebates. Revenues from the sale of products are recognised upon transfer to the customer of significant risks and rewards. Trade discounts, cash discounts and volume rebates agreed with customers are recorded on an accrual basis consistent with the recognition of the related sales.

**SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)****(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and nine-month periods ended December 31, 2017****(All amounts in Saudi Riyals thousands unless otherwise stated)**

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**2.4 Summary of significant accounting policies (continued)****d) Foreign currencies**

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.

On consolidation, the assets and liabilities of foreign operations are translated into Saudi Riyals at the rate of exchange prevailing at the reporting date and their condensed consolidated interim statement of profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in condensed consolidated interim statement of profit or loss.

**e) Dividends**

The Group recognizes a liability to make cash or non-cash distributions to Owners of SADAFCO when the distribution is authorized and the distribution is no longer at the discretion of the Group. As per the corporate laws of Kingdom of Saudi Arabia, a distribution is authorized when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

**f) Property, plant and equipment**

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 is satisfied. All other repair and maintenance costs are recognised in 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 is met and the amounts are expected to be material.

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

Depreciation is charged to the condensed consolidated interim statement of profit or loss on a straight-line basis over the estimated useful lives of property, plant and equipment as follows:

	<u>%</u>
• Buildings	2.5-10
• Machinery and equipment	6.7-12.5
• Vehicles and trailers	15-25
• Furniture, fixtures and office equipment	10-25

An item of property, plant and equipment and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the condensed consolidated interim statement of profit or loss when the asset is derecognized. 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.

**g) Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

## **2.4 Summary of significant accounting policies (continued)**

### **Group as a lessee**

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Lease in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the condensed consolidated interim statement of profit or loss on a straight-line basis over the period of the lease.

### **h) Investments and other financial assets**

#### **(i) Classification**

The Group classifies its financial assets in the following categories:

- Loans and receivables, and
- Available-for-sale financial assets.

#### **(ii) Reclassification**

The Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables category are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### **(iii) Recognition and derecognition**

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in condensed consolidated interim statement of comprehensive income are reclassified to the condensed consolidated interim statement of profit or loss as gains or losses from investment securities.

#### **(iv) Measurement**

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. The gains or losses arising from changes in the fair value are recognised in the condensed consolidated interim statement of comprehensive income.

Dividends on available-for-sale equity instruments are recognised in the condensed consolidated interim statement of profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

#### **(v) Impairment**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

#### **Assets carried at amortised cost**

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the condensed consolidated interim statement of profit or loss.

## **2.4 Summary of significant accounting policies (continued)**

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the condensed consolidated interim statement of profit or loss.

### *Assets classified as available-for-sale*

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the condensed consolidated interim statement of profit or loss – is removed from equity and recognised in the condensed consolidated interim statement of profit or loss.

Impairment losses on equity instruments that were recognised in the condensed consolidated interim statement of profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in the condensed consolidated interim statement of profit or loss, the impairment loss is reversed through the condensed consolidated interim statement of profit or loss.

### **i) 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 weighted average costs. 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.

### **j) Cash and cash equivalents**

Cash and cash equivalents in the condensed consolidated interim statement of financial position comprise cash at banks and on hand and other short term highly liquid investments, with original maturities of three months or less from the purchase date and / or readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. For the purpose of the condensed consolidated interim statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts (if any) as they are considered an integral part of the Group's cash management.

### **k) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### **l) Zakat and income tax**

In accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"), the Group is subject to zakat attributable to the Saudi shareholders. Provisions for zakat are charged to the condensed consolidated interim 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.

Zakat and income tax expense are recognized in each interim period based on the best estimate of the annual zakat and income tax expected for the full financial year. Amounts accrued for zakat and income tax expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual zakat and income tax changes.

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

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**2.4 Summary of significant accounting policies (continued)**

**m) Employee benefit obligations**

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

Past service costs are recognized in the condensed consolidated interim statement of profit or loss on the earlier of:

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

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset. The Group recognizes the following changes in the net defined benefit obligation under 'cost of revenue', 'general and administrative expenses' and 'selling and distribution expenses' in the condensed consolidated interim 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.

**n) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid in accordance with agreed terms. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

**o) Provisions**

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

**p) Earnings per share**

**(i) Basic earnings per share**

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company.
- by the weighted average number of ordinary shares outstanding during the financial year.

**(ii) Diluted earnings per share**

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.



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**2.4 Summary of significant accounting policies (continued)**

**q) Statutory reserve**

In accordance with Company's bye laws, the Company is required to transfer at least 10% of net income for the year to a statutory reserve until such reserve equals at least 30% of paid-up capital. This having been achieved, accordingly, the Company has resolved to discontinue such transfers. This reserve is not available for distribution.

**r) Other reserves**

In accordance with Company's bye laws, the shareholders decided to create a voluntary reserve by the transfer of 10% of the net income attributable to equity shareholders of SADAFCO to the reserve. The utilization of this reserve is at the discretion of the shareholders. In the current year, transfer has been made to the voluntary reserve.

**s) Reclassification**

In prior periods, certain revenue related rebates which should have been presented as a reduction in revenue were instead shown as selling and distribution expenses and therefore have now been correctly classified in this condensed consolidated interim financial information. For the three-month and nine-month period ended December 31, 2016 the reclassification amounts to Saudi Riyals 20.97 million and Saudi Riyals 53.63 million, respectively. Further, reclassification for the year ended March 31, 2017 amounts to Saudi Riyals 70.88 million. Further, few immaterial reclassifications are made in general and administrative expenses.

**3. First time adoption of IFRS**

The condensed consolidated interim financial information of the Group has been prepared in compliance with IAS 34 and IFRS 1 as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. For periods up to and including the year ended March 31, 2017, the Group prepared its condensed consolidated interim financial information in accordance with the previous GAAP as issued by SOCPA.

Accordingly, the Group has prepared condensed consolidated interim financial information that comply with IFRS applicable as at December 31, 2017, together with the comparative period, as described in the summary of significant accounting policies. In preparing the condensed consolidated interim financial information, the Group's opening statement of financial position was prepared as at April 1, 2016 which is the Group's date of transition to IFRS. This note explains the principal adjustments made by the Group in restating its previous GAAP financial statements, including the statement of financial position as at April 1, 2016.

IFRS 1 allows first-time adopters' certain exemptions from the retrospective application of certain requirements under IFRS.

The Group has assessed the following exemptions which are available for application and concluded as follows:

- \* Carrying value of property, plant and equipment has been assessed to ensure the compliance with IFRS principles. IFRS 1 deemed cost exemption is also evaluated keeping in view the Group's accounting of property, plant and equipment under previous GAAP. The management assessed that accounting under previous GAAP was in line with IFRS requirements considering the nature and size of Group's operations; consequently, the deemed cost exemption was considered but not applied and carrying amount of property, plant and equipment has been carried forward at the date of transition.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were same at December 31, 2017. Further, these are consistent with those made in accordance with previous GAAP. The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at December 31, 2017.

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**3. First time adoption of IFRS (continued)**
**3.1 Reconciliation of consolidated equity as at April 1, 2016 (date of transition to IFRS)**

	Note	As at April 1, 2016 (Under SOCPA) (Audited)	Re- measurements	As at April 1, 2016 (Under IFRS) (Audited)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		577,203	-	577,203
Available-for-sale Investment		243	-	243
		<u>577,446</u>	<u>-</u>	<u>577,446</u>
<b>Current assets</b>				
Inventories		381,120	-	381,120
Trade and other receivables		171,192	-	171,192
Deposits, prepayments and other assets		14,462	-	14,462
Cash and cash equivalents		246,284	-	246,284
		<u>813,058</u>	<u>-</u>	<u>813,058</u>
<b>Total assets</b>		<u><b>1,390,504</b></u>	<u><b>-</b></u>	<u><b>1,390,504</b></u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Issued share and paid up capital		325,000	-	325,000
Statutory reserve		162,500	-	162,500
Other reserves		151,734	-	151,734
Foreign currency translation reserves		(1,178)	-	(1,178)
Retained earnings		454,163	(9,513)	444,650
<b>Equity attributable to the owners of SADAFCO</b>		<u>1,092,219</u>	<u>(9,513)</u>	<u>1,082,706</u>
<b>Non-controlling interests</b>		<u>1,365</u>	<u>-</u>	<u>1,365</u>
<b>Total equity</b>		<u><b>1,093,584</b></u>	<u><b>(9,513)</b></u>	<u><b>1,084,071</b></u>
<b>Non-current liability</b>				
Employee benefit obligations	3.10	100,422	9,513	109,935
<b>Current liabilities</b>				
Trade and other payables		67,304	-	67,304
Accruals and other liabilities		112,592	-	112,592
Accrued zakat		16,602	-	16,602
		<u>196,498</u>	<u>-</u>	<u>196,498</u>
<b>Total liabilities</b>		<u><b>296,920</b></u>	<u><b>9,513</b></u>	<u><b>306,433</b></u>
<b>Total equity and liabilities</b>		<u><b>1,390,504</b></u>	<u><b>-</b></u>	<u><b>1,390,504</b></u>

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**3. First time adoption of IFRS (continued)**

**3.2 Reconciliation of consolidated equity as at December 31, 2016**

	Note	As at December 31, 2016 (Under SOCPA) (Unaudited)	Re- measurements	As at December 31, 2016 (Under IFRS) (Unaudited)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		581,503	-	581,503
Available-for-sale investment		243	-	243
		<u>581,746</u>	<u>-</u>	<u>581,746</u>
<b>Current assets</b>				
Inventories		340,080	-	340,080
Trade and other receivables		176,421	-	176,421
Deposits, prepayments and other assets		16,866	-	16,866
Cash and cash equivalents		431,713	-	431,713
		<u>965,080</u>	<u>-</u>	<u>965,080</u>
<b>Total assets</b>		<u>1,546,826</u>	<u>-</u>	<u>1,546,826</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Issued share and paid up capital		325,000	-	325,000
Statutory reserve		162,500	-	162,500
Other reserves		174,514	-	174,514
Foreign currency translation reserves		(941)	-	(941)
Retained earnings		526,388	781	527,169
<b>Equity attributable to the owners of SADAFCO</b>		<u>1,187,461</u>	<u>781</u>	<u>1,188,242</u>
Non-controlling interests		1,391	-	1,391
<b>Total equity</b>		<u>1,188,852</u>	<u>781</u>	<u>1,189,633</u>
<b>Non-current liability</b>				
Employee benefit obligations	3.10	110,119	(781)	109,338
<b>Current liabilities</b>				
Trade and other payables		91,792	-	91,792
Accruals and other liabilities		137,803	-	137,803
Accrued zakat		18,260	-	18,260
		<u>247,855</u>	<u>-</u>	<u>247,855</u>
<b>Total liabilities</b>		<u>357,974</u>	<u>(781)</u>	<u>357,193</u>
<b>Total equity and liabilities</b>		<u>1,546,826</u>	<u>-</u>	<u>1,546,826</u>

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**3. First time adoption of IFRS (continued)**

**3.3 Reconciliation of consolidated equity as at March 31, 2017**

	Note	As at March 31, 2017 (Under SOCPA) (Audited)	Re- measurements	As at March 31, 2017 (Under IFRS) (Audited)
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment		598,004	-	598,004
Available-for-sale investment		243	-	243
		<u>598,247</u>	-	<u>598,247</u>
<b>Current assets</b>				
Inventories		321,429	-	321,429
Trade and other receivables		161,798	-	161,798
Deposits, prepayments and other assets		16,640	-	16,640
Cash and cash equivalents		543,914	-	543,914
		<u>1,043,781</u>	-	<u>1,043,781</u>
<b>Total assets</b>		<u>1,642,028</u>	-	<u>1,642,028</u>
<b>Equity and liabilities</b>				
<b>Equity</b>				
Issued share and paid up capital		325,000	-	325,000
Statutory reserve		162,500	-	162,500
Other reserves		181,835	-	181,835
Foreign currency translation reserves		(945)	-	(945)
Retained earnings		592,273	437	592,710
<b>Equity attributable to the owners of SADAFCO</b>		<u>1,260,663</u>	<u>437</u>	<u>1,261,100</u>
Non-controlling interests		1,569	-	1,569
<b>Total equity</b>		<u>1,262,232</u>	<u>437</u>	<u>1,262,669</u>
<b>Non-current liability</b>				
Employee benefit obligations	3.10	111,072	(3,237)	107,835
<b>Current liabilities</b>				
Trade and other payables		99,380	-	99,380
Accruals and other liabilities		147,559	2,800	150,359
Due to a related party		1,108	-	1,108
Accrued zakat		20,677	-	20,677
		<u>268,724</u>	<u>2,800</u>	<u>271,524</u>
<b>Total liabilities</b>		<u>379,796</u>	<u>(437)</u>	<u>379,359</u>
<b>Total equity and liabilities</b>		<u>1,642,028</u>	-	<u>1,642,028</u>

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**3. First time adoption of IFRS (continued)**

**3.4 Reconciliation of condensed consolidated interim statement of profit or loss for the nine-month period ended December 31, 2016**

		For the period ended December 31, 2016 (Under SOCPA) (Unaudited)	Re- measurement	For the period ended December 31, 2016 (Under IFRS) (Unaudited)
	Note			
Revenue - net		1,356,859	-	1,356,859
Cost of revenue		(833,844)	-	(833,844)
<b>Gross profit</b>		<b>523,015</b>	<b>-</b>	<b>523,015</b>
Selling and distribution expenses	3.10	(217,236)	4,831	(212,405)
General and administrative expenses	3.11	(68,621)	(2,800)	(71,421)
Other operating income		3,562	-	3,562
<b>Operating profit</b>		<b>240,720</b>	<b>2,031</b>	<b>242,751</b>
Finance income		5,671	-	5,671
<b>Profit before zakat</b>		<b>246,391</b>	<b>2,031</b>	<b>248,422</b>
Zakat		(18,000)	-	(18,000)
<b>Profit for the period</b>		<b>228,391</b>	<b>2,031</b>	<b>230,422</b>
<b>Profit is attributable to:</b>				
Owners of SADAFCO		227,805	2,031	229,836
Non-controlling interests		586	-	586
		<b>228,391</b>	<b>2,031</b>	<b>230,422</b>
<b>Earnings per share:</b>				
Basic and diluted earnings per share (Saudi Riyals) attributable to owners of SADAFCO		7.01	-	7.07

**3.5 Reconciliation of condensed consolidated interim statement of profit or loss for the three-month period ended December 31, 2016**

		For the period ended December 31, 2016 (Under SOCPA) (Unaudited)	Re- measurement	For the period ended December 31, 2016 (Under IFRS) (Unaudited)
	Note			
Revenue - net		436,089	-	436,089
Cost of revenue		(277,108)	-	(277,108)
<b>Gross profit</b>		<b>158,981</b>	<b>-</b>	<b>158,981</b>
Selling and distribution expenses	3.10	(67,749)	(732)	(68,481)
General and administrative expenses		(19,367)	-	(19,367)
Other operating income		2,926	-	2,926
<b>Operating profit</b>		<b>74,791</b>	<b>(732)</b>	<b>74,059</b>
Finance income		2,564	-	2,564
<b>Profit before zakat</b>		<b>77,355</b>	<b>(732)</b>	<b>76,623</b>
Zakat		(8,608)	-	(8,608)
<b>Profit for the period</b>		<b>68,747</b>	<b>(732)</b>	<b>68,015</b>
<b>Profit is attributable to:</b>				
Owners of SADAFCO		68,569	(732)	67,837
Non-controlling interests		178	-	178
		<b>68,747</b>	<b>(732)</b>	<b>68,015</b>
<b>Earnings per share:</b>				
Basic and diluted earnings per share (Saudi Riyals) attributable to owners of SADAFCO		2.11	-	2.09

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**3. First time adoption of IFRS (continued)**

**3.6 Reconciliation of condensed consolidated interim statement of comprehensive income for the nine-month period ended December 31, 2016**

	Note	For the period ended December 31, 2016 (Under SOCPA) (Unaudited)	Re- measurement	For the period ended December 31, 2016 (Under IFRS) (Unaudited)
<b>Profit for the period</b>		228,391	2,031	230,422
<b>Other comprehensive income</b>				
Items that may be reclassified to profit or loss				
Exchange difference on translation of foreign operations		(323)	-	(323)
Items that will not be reclassified to profit or loss				
Re-measurement gain on employee benefit obligations	3.10	-	5,463	5,463
<b>Other comprehensive income for the period</b>		(323)	5,463	5,140
<b>Total comprehensive income for the period</b>		228,068	7,494	235,562
<b>Total comprehensive income for the period is attributable to:</b>				
Owners of SADAFCO		228,042	7,494	235,536
Non-controlling interests		26	-	26
		228,068	7,494	235,562

**3.7 Reconciliation of condensed consolidated interim statement of comprehensive income for the three-month period ended December 31, 2016**

	Note	For the period ended December 31, 2016 (Under SOCPA) (Unaudited)	Re- measurement	For the period ended December 31, 2016 (Under IFRS) (Unaudited)
<b>Profit for the period</b>		68,747	(732)	68,015
<b>Other comprehensive income</b>				
Items that may be reclassified to profit or loss				
Exchange difference on translation of foreign operations		(217)	-	(217)
Items that will not be reclassified to profit or loss				
Re-measurement gain on employee benefit obligations	3.10	-	1,821	1,821
<b>Other comprehensive income for the period</b>		(217)	1,821	1,604
<b>Total comprehensive income for the period</b>		68,530	1,089	69,619
<b>Total comprehensive income for the period is attributable to:</b>				
Owners of SADAFCO		68,346	1,089	69,435
Non-controlling interests		184	-	184
		68,530	1,089	69,619

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**3. First time adoption of IFRS (continued)**
**3.8 Reconciliation of consolidated statement of profit and loss for the year ended March 31, 2017**

	Note	For the year ended March 31, 2017 (Under SOCPA) (Audited)	Re- measurement	For the year ended March 31, 2017 (Under IFRS) (Audited)
Revenue - net		1,786,856		1,786,856
Cost of revenue		(1,096,589)		(1,096,589)
<b>Gross profit</b>		<b>690,267</b>	<b>-</b>	<b>690,267</b>
Selling and distribution expenses	3.10	(289,569)	5,467	(284,102)
General and administrative expenses	3.11	(90,604)	(2,800)	(93,404)
Other operating income		4,996	-	4,996
<b>Operating profit</b>		<b>315,090</b>	<b>2,667</b>	<b>317,757</b>
Finance income		7,373	-	7,373
<b>Profit before zakat</b>		<b>322,463</b>	<b>2,667</b>	<b>325,130</b>
Zakat		(20,690)	-	(20,690)
<b>Profit for the year</b>		<b>301,773</b>	<b>2,667</b>	<b>304,440</b>
<b>Profit is attributable to:</b>				
Owners of SADAFCO		301,011	2,667	303,678
Non-controlling interests		762	-	762
		<b>301,773</b>	<b>2,667</b>	<b>304,440</b>
<b>Earnings per share:</b>				
Basic and diluted earnings per share (Saudi Riyals) attributable to owners of SADAFCO		9.26	-	9.34

**3.9 Reconciliation of consolidated statement of comprehensive income for the year ended March 31, 2017**

	Note	For the year ended March 31, 2017 (Under SOCPA) (Audited)	Re-measurement	For the year ended March 31, 2017 (Under IFRS) (Audited)
<b>Profit for the period</b>		<b>301,773</b>	<b>2,667</b>	<b>304,440</b>
<b>Other comprehensive income</b>				
Items that may be reclassified to profit or loss				
Exchange difference on translation of foreign operations		233	-	233
Items that will not to be reclassified to profit or loss				
Re-measurement gain on employee benefit obligations	3.10	-	7,283	7,283
<b>Other comprehensive income for the year</b>		<b>233</b>	<b>7,283</b>	<b>7,516</b>
<b>Total comprehensive income for the year</b>		<b>302,006</b>	<b>9,950</b>	<b>311,956</b>
<b>Total comprehensive income for the year is attributable to:</b>				
Owners of SADAFCO		301,244	9,950	311,194
Non-controlling interests		762	-	762
		<b>302,006</b>	<b>9,950</b>	<b>311,956</b>

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**3. First time adoption of IFRS (continued)**
**3.10 Obligations relating to employees defined benefits plan**

Under previous GAAP, the Group recognized costs related to its post-employment benefits as current value of the vested benefit to which the employee is entitled. Under IFRS, such liabilities are recognized on an actuarial basis. The change between the current provision and provision based on actuarial valuation liability has been recognized in full against retained earnings on the date of transition. Moreover, current services costs and actuarial gains/losses and other related costs are recognised in the condensed consolidated interim statement of profit or loss and comprehensive income, respectively, in the subsequent periods i.e. 2016 and 2017.

**3.11 Director remuneration**

Under SOCPA, the director remuneration was recognized in retained earnings. Under IFRS, it is recognized under condensed consolidated interim statement of profit or loss and adjusted accordingly.

**3.12 Statement of cash flows**

The transition from previous GAAP to IFRS did not have a material impact on the presentation of statement of cash flows.

**4. Segment information**
**4.1 Operating Segment**

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

	Three-month period ended				Nine-month period ended			
	Drinks	Non-Drinks	Unallocated	Total	Drinks	Non-Drinks	Unallocated	Total
<b>December 31, 2017</b> <b>(Unaudited)</b>								
Revenue - net	268,908	151,024	-	419,932	858,666	455,403	-	1,314,069
Profit before zakat	46,342	16,010	-	62,352	162,546	60,214	-	222,760
Depreciation	12,262	4,112	-	16,374	36,602	12,273	-	48,875
Property, plant and equipment					482,462	161,774	-	644,236
Current assets					-	-	1,067,522	1,067,522
Available-for-sale investment					-	-	243	243
<b>Total assets</b>					<b>482,462</b>	<b>161,774</b>	<b>1,067,765</b>	<b>1,712,001</b>
Current liabilities					-	-	328,620	328,620
Long-term liabilities					-	-	106,194	106,194
<b>Total liabilities</b>					<b>-</b>	<b>-</b>	<b>434,814</b>	<b>434,814</b>
	Three-month period ended				Nine-month period ended			
	Drinks	Non-Drinks	Unallocated	Total	Drinks	Non-Drinks	Unallocated	Total
<b>December 31, 2016</b> <b>(Unaudited)</b>								
Revenue - net	297,449	138,640	-	436,089	916,287	440,572	-	1,356,859
Profit before zakat	63,591	13,032	-	76,623	207,808	40,614	-	248,422
Depreciation	14,109	4,731	-	18,840	42,520	14,258	-	56,778
Property, plant and equipment					435,482	146,021	-	581,503
Current assets					-	-	965,080	965,080
Available-for-sale investment					-	-	243	243
<b>Total assets</b>					<b>435,482</b>	<b>146,021</b>	<b>965,323</b>	<b>1,546,826</b>
Current liabilities					-	-	247,855	247,855
Long-term liabilities					-	-	109,338	109,338
<b>Total liabilities</b>					<b>-</b>	<b>-</b>	<b>357,193</b>	<b>357,193</b>



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**4. Segment information (continued)**

**4.1 Operating Segment (continued)**

The management has categorized its geographical operations as follows:

	Three-month period ended December 31,		Nine-month period ended December 31,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
<b>Geographic information</b>				
<b>Revenue from external customers</b>				
Kingdom of Saudi Arabia	395,061	398,611	1,229,813	1,256,416
Gulf Cooperation Council (GCC countries)	17,385	27,578	63,267	78,923
Others	7,486	9,900	20,989	21,520
<b>Total</b>	<b>419,932</b>	<b>436,089</b>	<b>1,314,069</b>	<b>1,356,859</b>
			December 31, 2017 (Unaudited)	December 31, 2016 (Unaudited)
<b>Non-current operating assets</b>				
Kingdom of Saudi Arabia			634,592	569,371
Gulf Cooperation Council (GCC countries)			8,404	10,380
Others			1,483	1,995
<b>Total</b>			<b>644,479</b>	<b>581,746</b>

**4.2 Adjustments**

Current assets, current liabilities and long term liabilities are not allocated to operating segments as they are managed on a Group basis.

**4.3 Reconciliation of profit**

	Three-month period ended December 31,		Nine-month period ended December 31,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Profit before zakat	62,352	76,623	222,760	248,422
Zakat	(4,048)	(8,608)	(12,483)	(18,000)
<b>Profit after zakat</b>	<b>58,304</b>	<b>68,015</b>	<b>210,277</b>	<b>230,422</b>

**5. Group Information**

The condensed consolidated interim financial information of the Group includes:

Name	Principal activities	Country of incorporation	% equity interest	
			December 31, 2017	March 31, 2017
SADAFCO Bahrain Company SPC	Foodstuff and dairy products	Bahrain	100%	100%
SADAFCO Jordan Foodstuff Company LLC	Foodstuff and dairy products	Jordan	100%	100%
SADAFCO Qatar Company	Foodstuff and dairy products	Qatar	75%	75%
SADAFCO Kuwait Foodstuff Co. W.L.L (*)	Foodstuff and dairy products	Kuwait	49%	49%

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

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On October 10, 2017, the Group has signed a non-binding agreement with an intention to acquire a controlling stake in Mlekoma sp. Z.o.o. and its subsidiaries Foodexo sp. Z.o.o, & Mlekoma Dairy Z.o.o incorporated in Poland. The estimated enterprise value of acquisition is approximately Saudi Riyals 120 million which will be finalized upon completion of the due diligence process.

The Group considers this transaction as a strategic opportunity to invest in vertical (upward) integration, being a source of one of its key raw materials i.e. milk powder. As of December 31, 2017, the acquisition was not finalised.

**6. Earnings per share**

The basic and dilutive EPS is computed as follows:

	Three-month period ended December 31,		Nine-month period ended December 31,	
	2017 (Unaudited)	2016 (Unaudited)	2017 (Unaudited)	2016 (Unaudited)
Profit attributable to owners of SADAFCO	58,517	67,837	210,749	229,836
Weighted average number of ordinary shares outstanding (in thousands)	32,500	32,500	32,500	32,500
Basic and diluted earnings per share (Saudi Riyals)	1.80	2.09	6.48	7.07

**7. Property, plant and equipment**

- (a) The ownership interest of the Group in certain freehold land held in Madinah amounting to Saudi Riyals 1.54 million (March 31, 2017: Saudi Riyals 1.54 million) is through a shareholder of the Group. The Group holds legal documents confirming its beneficial interest.
- (b) The additions during the period amounting to Saudi Riyals 95.31 million (December 31, 2016: Saudi Riyals 61.54 million), mainly represent purchase of machinery for Dammam / Jeddah factories which are under commissioning and for Jeddah central warehouse and Tabuk depot.
- (c) On the date of transition to IFRS, management of the Group reviewed the property, plant and equipment for impairment and performed assessment of useful lives of property, plant and equipment, in line with industry practice and past usage. A revision in estimated useful lives and other adjustments were identified in various classes of property, plant and equipment and the useful lives are changed from 10 years to a range of 8 to 15 years and also certain assets were identified for impairment. These revisions during the year ended March 31, 2017 resulted in reduction of depreciation expense by Saudi Riyals 12 million and impairment adjustments of Saudi Riyals 12 million. The net impact of such revisions on the net profit for the year ended March 31, 2017 and retained earnings as at March 31, 2017 is Nil. For the purpose of reconciliation in relation to first time adoption of IFRS (Note 3), the impact of such revisions was recorded during the three-month period ended March 31, 2017. The revision of useful lives of property, plant and equipment resulted in higher net profit for three and nine month periods ended December 31, 2017 amounting to Saudi Riyals 3 million and Saudi Riyals 9 million, respectively.

**8. Inventories**

	December 31, 2017 (Unaudited)	March 31, 2017 (Audited)
Raw materials	256,253	184,652
Packing materials	37,876	34,281
Finished goods	46,099	64,807
Spare parts, supplies and other items	13,910	22,503
Goods-in-transit	66,717	33,960
	<b>420,855</b>	<b>340,203</b>
Less: Provision for slow moving and obsolete inventories (see below)	<b>(9,697)</b>	<b>(18,774)</b>
	<b>411,158</b>	<b>321,429</b>

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

	December 31, 2017 (Unaudited)	March 31, 2017 (Audited)
At the beginning of the period	18,774	13,428
Charge for the period	3,126	5,410
Write-off*	(12,203)	(64)
At the end of the period	<u>9,697</u>	<u>18,774</u>

\*Certain spare parts have been written off during the period.

**9. Trade and other receivables**

	December 31, 2017 (Unaudited)	March 31, 2017 (Audited)
Trade receivables	178,180	170,620
Less: Provision for doubtful receivables (see below)	<u>(19,921)</u>	<u>(17,334)</u>
Net trade receivables	158,259	153,286
Net advances and other receivables	<u>7,996</u>	<u>8,512</u>
	<u>166,255</u>	<u>161,798</u>

Trade receivables are unsecured non-interest bearing and are generally on terms agreed with customers.

Movement in the provision for doubtful receivables is as follows:

	December 31, 2017 (Unaudited)	March 31, 2017 (Audited)
At the beginning of the period	17,334	14,447
Charge for the period	2,587	3,111
Write-off	-	(224)
At the end of the period	<u>19,921</u>	<u>17,334</u>

**10. Deposits, prepayments and other assets**

	December 31, 2017 (Unaudited)	March 31, 2017 (Audited)
Prepayments	16,774	15,351
Security and other deposits	<u>1,498</u>	<u>1,289</u>
	<u>18,272</u>	<u>16,640</u>

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Zakat assessments for the years up to and including 2007 have been finalised with the General Authority for Zakat and Tax (GAZT).

For the years ended March 31, 2005 through March 31, 2007, GAZT has raised assessments amounting to Saudi Riyals 4.4 million based on Higher Appeal Committee's (HAC) decision. After correction of material errors, the additional liability will be in the region of Saudi Riyals 3.8 million approximately. SADAFCO has lodged a bank guarantee with the GAZT for Saudi Riyals 4.6 million. For the assessment years up to 2004, zakat liability was fully settled.

The GAZT raised final assessments for the years ended March 31, 2008 through March 31, 2011. Revised additional zakat liability based on Preliminary Appeal Committee (PAC) decision is Saudi Riyals 4 million. SADAFCO has lodged a bank guarantee with the GAZT for Saudi Riyals 5.3 million. The HAC rendered its decision on SADAFCO's appeal against PAC's decision. Based on HAC's decision, the additional assessed liability of Saudi Riyals 4 million is likely to reduce further by Saudi Riyals 0.4 million. SADAFCO is entitled to appeal against the HAC's decision to Board of Grievance (BOG).

The GAZT has not yet raised assessments for the years 2012 through 2017.

Value Added Tax (VAT) law was released by GAZT and was approved by the Royal Decree no. [M/113] on 2/11/1438 H and is effective from January 1, 2018. There is no impact of aforesaid law on the condensed consolidated interim financial information.

**12. Employee benefit obligations**

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labor and Workman Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes key assumptions, the components of the net benefit expense recognized in the condensed consolidated interim statement of profit or loss and condensed consolidated interim statement of comprehensive income and amounts recognized in the condensed consolidated interim statement of financial position.

	2017	2016
Discount rate	3.2%	2.6%
Expected rate of salary increase	3.6%	2.8%

**Actuarial valuation reconciliation**

	December 31, 2017 (Unaudited)	March 31, 2017 (Audited)
Present value of obligation	107,835	109,935
Interest cost	2,260	2,692
Current service cost	6,779	10,882
Actuarial gain on the obligation	-	(7,283)
Benefits paid	(10,680)	(8,391)
Defined benefit obligation	106,194	107,835

**13. Trade and other payables**

	December 31, 2017 (Unaudited)	March 31, 2017 (Audited)
Trade payables	131,540	93,346
Other payables	6,388	6,034
	137,928	99,380

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**14. Related party matters**

**14.1 Transactions and balances with related parties**

- (a) Transactions with related parties were undertaken in the ordinary course of business at commercial terms and were approved by the management.
- (b) Significant related party transactions and balances for the period ended December 31, and balances arising there from are described as under:

Transactions with	Nature of transaction	Amount of transactions (Unaudited)				Due to a related party	
		Three-month period ended December 31		Nine-month period ended December 31		December 31, 2017	March 31, 2017
		2017	2016	2017	2016	(Unaudited)	(Audited)
Buruj Cooperative Insurance Company (affiliate)	Insurance premium	2,226	5,191	8,094	9,853	96	1,108

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

**14.2 Compensation of key management personnel of the Group**

Compensation to Group's key management personnel includes salaries, and contributions to post-employment defined benefit plan. The Group has recognized an expense of Saudi Riyals 11.5 million for the nine-month period ended December 31, 2017 (nine-month period ended December 31, 2016: Saudi Riyals 9 million).

**15. Financial Instruments**

**15.1 Financial assets**

	December 31, 2017 (Unaudited)	March 31, 2017 (Audited)
<b>Available for sale financial assets at fair value through OCI</b>		
Unquoted shares	243	243
<b>Financial assets at amortised cost</b>		
Trade and other receivables	166,255	161,798
Cash and cash equivalents	471,837	543,914
<b>Total financial assets</b>	<b>638,092</b>	<b>705,712</b>

**Available-for-sale financial assets at fair value through OCI**

Available-for-sale investment includes an investment in an unlisted company having no change in the fair value during the period ended December 31, 2017.

**Receivables**

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

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	December 31, 2017 (Unaudited)	March 31, 2017 (Audited)
Financial liabilities at amortized cost		
Trade and other payables	137,928	99,380
Accruals and other liabilities	178,183	150,359
Due to a related party	96	1,108
Total financial liabilities	316,207	250,847

**16. Financial instruments risk management objective and policies**

The Group's principal financial liabilities comprise trade and other payables and accruals. The Group's principal financial assets include trade and other receivables, investment in unquoted equity and cash and short-term deposits. The carrying amounts of the Group's financial instruments are reasonable approximations of fair values.

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 policies for managing each of these risks, which are summarized below:

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise 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, 2017:

**i) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At December 31, 2017, March 31, 2017 and December 31, 2016, the Group does not have any borrowings accordingly, no interest rate risk sensitivity is presented.

**ii) Currency risk**

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is not significantly exposed to fluctuations in foreign exchange rates during its ordinary course of business, as significant transactions of the Group, during the period, are either in Saudi Riyals or US Dollars and there is insignificant risks related to balances stated in US Dollars since the exchange of Saudi Riyals against the US Dollar is fixed in the Kingdom. Moreover, insignificant number of transactions are entered in currencies other than US Dollar and impact of this is considered immaterial by the management of the Group.

**iii) Price risk**

The Group manages the equity price risk through diversification and placing limits on individual and total equity instruments. The Group's interest in unlisted equity security is susceptible to a price risk arising from uncertainties about future cash flows of the investment. The Group manages this price risk by periodically monitoring the financial results of the investee.

**Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities i.e. deposits with banks and financial institutions:

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Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. 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 any shipments to major customers are generally covered by letters of credit or other forms of credit insurance.

At December 31, 2017, the Group had 5 customers that accounted for approximately 44% (March 31, 2017: 43%) of total outstanding trade receivable.

The requirement for an impairment is analyzed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customer base is diversified.

**(b) Deposits with banks and financial institutions**

Credit risk from balances with banks and financial institutions 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 subject to approval of the Group's Finance Committee. 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.

**Liquidity risk**

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 enters into overdraft facility with banks in order to ensure continued funding of operations.

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

December 31, 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Trade and other payables	-	137,928	-	-	-	137,928
Accruals and other liabilities	4,591	173,592	-	-	-	178,183
Due to a related party	96	-	-	-	-	96
	<b>4,687</b>	<b>311,520</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>316,207</b>
March 31, 2017	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Trade and other payables	-	99,380	-	-	-	99,380
Accruals and other liabilities	2,433	147,926	-	-	-	150,359
Due to a related party	1,108	-	-	-	-	1,108
	<b>3,541</b>	<b>247,306</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250,847</b>

**17. Commitments and contingencies**

- (a) As at December 31, 2017, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 118 million (March 31, 2017: Saudi Riyals 55.27 million).
- (b) As at December 31, 2017, the Group has a contingent liability of Saudi Riyals 10.02 million (March 31, 2017: Saudi Riyals 10.02 million) in respect of guarantees issued by the Company's bankers to the GAZT (Note 11).

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**18. Dividends**

In the Annual General Assembly meetings of the Group held on May 24, 2017 and November 29, 2017, the shareholders authorized dividends of Saudi Riyals 4 per share and Saudi Riyals 2 per share amounting to Saudi Riyals 130 million and Saudi Riyals 65 million, respectively.