

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION FOR THE THREE-MONTH
PERIOD ENDED JUNE 30, 2020 AND REPORT ON REVIEW
OF CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020

| | Page |
|--|-------------|
| Report on review of condensed consolidated interim financial information | 2 |
| Condensed consolidated interim statement of profit or loss | 3 |
| Condensed consolidated interim statement of comprehensive income | 4 |
| Condensed consolidated interim statement of financial position | 5 |
| Condensed consolidated interim statement of changes in equity | 6 |
| Condensed consolidated interim statement of cash flows | 7 |
| Notes to the condensed consolidated interim financial information | 8 - 18 |



Report on review of condensed consolidated 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 (collectively referred to as the “Group”) as of June 30, 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - “Interim Financial Reporting” (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

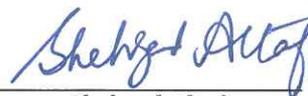


July 26, 2020

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

| | Note | Three-month period ended June 30, | |
|---|------|--------------------------------------|---------------------|
| | | 2020 (Unaudited) | 2019 (Unaudited) |
| Revenue – net | 4 | 565,993 | 485,232 |
| Cost of revenue | | (382,693) | (328,759) |
| Gross profit | | 183,300 | 156,473 |
| Selling and distribution expenses | | (73,443) | (70,431) |
| General and administrative expenses | | (33,594) | (24,909) |
| Impairment loss on financial assets | | (500) | (910) |
| Other operating income - net | | 923 | 808 |
| Operating profit | | 76,686 | 61,031 |
| Finance income | | 1,065 | 3,298 |
| Finance costs | | (1,949) | (2,092) |
| Profit before zakat | | 75,802 | 62,237 |
| Zakat | | (5,268) | (4,331) |
| Profit for the period | | 70,534 | 57,906 |
| Profit is attributable to: | | | |
| Owners of SADAFCO | | 70,402 | 58,283 |
| Non-controlling interests | | 132 | (377) |
| | | 70,534 | 57,906 |
| Earnings per share: | | | |
| Basic and dilutive earnings per share (Saudi Riyals) attributable to owners of SADAFCO | 6 | 2.20 | 1.82 |

The notes from 1 to 15 form part of this condensed consolidated interim financial information.



Shehzad Altaf

Chief Financial Officer

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

| | Three-month period ended June 30, | |
|---|--|--------------------|
| | 2020 | 2019 |
| | (Unaudited) | (Unaudited) |
| Profit for the period | 70,534 | 57,906 |
| Other comprehensive income / (loss) | | |
| <i>Items that may be reclassified to profit or loss</i> | | |
| Exchange difference on translation of foreign operations | (76) | 128 |
| <i>Items that will not to be reclassified to profit or loss</i> | | |
| Re-measurement gain on employee benefit obligations | - | - |
| Other comprehensive income / (loss) for the period | (76) | 128 |
| Total comprehensive income for the period | 70,458 | 58,034 |
| Total comprehensive income / (loss) for the period is attributable to: | | |
| Owners of SADAFCO | 70,329 | 58,409 |
| Non-controlling interests | 129 | (375) |
| | 70,458 | 58,034 |

The notes from 1 to 15 form part of this condensed consolidated interim financial information.



Shehzad Altaf
Chief Financial Officer

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

| | Note | June 30, 2020 (Unaudited) | March 31, 2020 (Audited) |
|---|------|---------------------------------|--------------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 804,966 | 797,525 |
| Right-of-use assets | | 72,915 | 72,164 |
| Intangible assets | | 25,465 | 26,133 |
| Other non-current assets | | 5,642 | 5,646 |
| | | <u>908,988</u> | <u>901,468</u> |
| Current assets | | | |
| Inventories | | 388,201 | 357,627 |
| Trade and other receivables | | 197,923 | 215,968 |
| Deposits, prepayments and other assets | | 57,572 | 53,567 |
| Cash and cash equivalents | | 721,063 | 645,839 |
| | | <u>1,364,759</u> | <u>1,273,001</u> |
| Total assets | | <u>2,273,747</u> | <u>2,174,469</u> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Employee benefit obligations | | 113,096 | 113,041 |
| Lease liabilities | | 58,734 | 57,174 |
| Non-controlling interest put option and other liabilities | | 30,070 | 29,330 |
| | | <u>201,900</u> | <u>199,545</u> |
| Current liabilities | | | |
| Trade and other payables | | 209,397 | 221,172 |
| Accruals and other liabilities | | 276,163 | 243,052 |
| Current portion of lease liabilities | | 12,208 | 12,151 |
| Dividends payable | | 83,474 | 3,475 |
| Zakat payable | 8 | 21,242 | 16,327 |
| Due to related parties | 9 | 2,438 | 2,281 |
| | | <u>604,922</u> | <u>498,458</u> |
| Total liabilities | | <u>806,822</u> | <u>698,003</u> |
| Equity | | | |
| Issued share and paid up capital | | 325,000 | 325,000 |
| Statutory reserve | | 162,500 | 162,500 |
| Other reserves | 12 | 263,428 | 256,388 |
| Treasury shares | | (51,559) | (51,559) |
| Foreign currency translation reserves | | (2,408) | (2,335) |
| Retained earnings | | 750,196 | 766,833 |
| Equity attributable to owners of SADAFCO | | <u>1,447,157</u> | <u>1,456,827</u> |
| Non-controlling interests | | 19,768 | 19,639 |
| Total equity | | <u>1,466,925</u> | <u>1,476,466</u> |
| Total equity and liabilities | | <u>2,273,747</u> | <u>2,174,469</u> |

The notes from 1 to 15 form part of this condensed consolidated interim financial information.

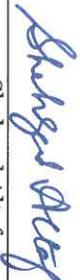


Shehzad Altaf
Chief Financial Officer

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 reserve | Treasury shares | Foreign currency translation reserves | Retained earnings | Total | Non-controlling interests | Total equity | |
| Balance at April 1, 2019 (audited) | 325,000 | 162,500 | 229,762 | (51,559) | (525) | 673,267 | 1,338,445 | 19,414 | 1,357,859 | |
| Profit / (loss) for the period | - | - | - | - | 126 | 58,283 | 58,283 | (377) | 57,906 | |
| Other comprehensive income/ Total comprehensive income/ (loss) for the period | - | - | - | - | 126 | - | 126 | 2 | 128 | |
| Dividends declared | - | - | - | - | 126 | 58,283 | 58,409 | (375) | 58,034 | |
| Transfer to other reserve (Note 12) | - | - | 5,828 | - | - | (64,000) | (64,000) | - | (64,000) | |
| Balance at June 30, 2019 (unaudited) | 325,000 | 162,500 | 235,590 | (51,559) | (399) | 661,722 | 1,332,854 | 19,039 | 1,351,893 | |
| Balance at April 1, 2020 (audited) | 325,000 | 162,500 | 256,388 | (51,559) | (2,335) | 766,833 | 1,456,827 | 19,639 | 1,476,466 | |
| Profit for the period | - | - | - | - | - | 70,402 | 70,402 | 132 | 70,534 | |
| Other comprehensive income/ Total comprehensive income/ (loss) for the period | - | - | - | - | (73) | - | (73) | (3) | (76) | |
| Dividends declared (Note 13) | - | - | - | - | (73) | 70,402 | 70,329 | 129 | 70,458 | |
| Transfer to other reserve (Note 12) | - | - | 7,040 | - | - | (79,999) | (79,999) | - | (79,999) | |
| Balance at June 30, 2020 (unaudited) | 325,000 | 162,500 | 263,428 | (51,559) | (2,408) | 750,196 | 1,447,157 | 19,768 | 1,466,925 | |

The notes from 1 to 15 form part of this condensed consolidated interim financial information.


 Shehzad Altaf
 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 period ended June 30, 2020 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General Information

Saudia Dairy & Foodstuff Company (the “Company” or “SADAFCO”, together with its subsidiaries referred to as the “Group”), is a Saudi Joint Stock Company 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 Company and its subsidiaries are primarily engaged in the production and distribution of dairy products, beverages and various foodstuff in the Kingdom of Saudi Arabia, Poland and certain other Gulf and Arab countries. Information on the Group’s structure is provided in Note 5 of these condensed consolidated interim financial information.

In response to the spread of Covid-19, in the last quarter ended March 31, 2020, in all territories where the Group operates and resulting disruptions to the social and economic activities in those markets, the Group has taken a series of preventive measures, to ensure the health and safety of its employees, their families, customers, consumers and wider community to ensure the continuity of supply of its products. As a producer of nutritious dairy products respective Governments have permitted the Group to operate, within guidelines, essentially as normal. Based on these factors, the management believes that the pandemic had no material effect on the reported financial results for the three-month period ended June 30, 2020. The Group continues to monitor this situation closely.

2. Basis of preparation

2.1 Statement of compliance

This condensed consolidated interim financial information of the Group has been prepared in compliance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (“SOCPA”).

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended March 31, 2020. IAS 34 states that the condensed interim financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosures in interim financial information than IFRS requires in annual financial statements.

2.2 Accounting convention / Basis of measurement

This condensed consolidated interim financial information has been prepared on a historical cost basis except for the following material items in the condensed consolidated interim statement of financial position:

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

This condensed consolidated interim financial information are presented in Saudi Riyals being the functional currency of the Company and currency of presentation of the Group. All amounts are rounded to nearest thousand Saudi Riyals, unless otherwise indicated.

2.3 New and amended standards adopted by the Group

There are no other new standards issued during the current reporting period. However, there are number of amendments to IFRS, which are effective from April 1, 2020 but they do not have any material effect on Group’s condensed consolidated interim financial information.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)**2.4 Standards and interpretations issued but not yet effective and applied by the Group**

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

2.5 Critical accounting estimates and judgements

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities were the same as those described in the last annual consolidated financial statements.

The Group has reviewed the key sources of estimation uncertainties against the backdrop of Covid-19 pandemic. Management believes all sources of estimation uncertainty remain similar to those disclosed in the annual Consolidated Financial Statements for the year ended March 31, 2020. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

3. Significant accounting policies

The accounting policies adopted by the Group for the preparation of the condensed consolidated interim financial information are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended March 31, 2020.

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, (together chief operating decision maker, 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 | | | Total |
|----------------------------------|---------------------------------|-------------------|--------------------|-----------------|
| | Drinks | Non-Drinks | Unallocated | |
| June 30, 2020 (Unaudited) | | | | |
| Revenue - net | 352,047 | 237,183 | - | 589,230 |
| Inter-segment revenue - net | - | (23,237) | - | (23,237) |
| Revenue from external customers | 352,047 | 213,946 | - | 565,993 |
| Profit before zakat | 42,645 | 33,157 | - | 75,802 |
| Depreciation and amortization | 18,708 | 7,200 | - | 25,908 |

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

| | June 30, 2020 | | | |
|---|---------------------------------|-------------------|--------------------|------------------|
| | Drinks | Non-Drinks | Unallocated | Total |
| Property, plant and equipment | 583,613 | 221,353 | - | 804,966 |
| Right-of-use assets | 59,445 | 13,470 | - | 72,915 |
| Intangible assets | - | 25,465 | - | 25,465 |
| Other non-current assets | - | 5,399 | 243 | 5,642 |
| Current assets | - | 51,143 | 1,313,616 | 1,364,759 |
| Total assets | 643,058 | 316,830 | 1,313,859 | 2,273,747 |
| Current liabilities | 9,567 | 29,270 | 566,085 | 604,922 |
| Non-controlling interest put option and other liabilities | - | 30,070 | - | 30,070 |
| Lease liabilities | 48,053 | 10,681 | - | 58,734 |
| Employee benefit obligations | - | 230 | 112,866 | 113,096 |
| Total liabilities | 57,620 | 70,251 | 678,951 | 806,822 |
| | Three-month period ended | | | |
| | Drinks | Non-Drinks | Unallocated | Total |
| June 30, 2019 (Unaudited) | | | | |
| Revenue - net | 278,484 | 212,035 | - | 490,519 |
| Inter - segment revenue - net | - | (5,287) | - | (5,287) |
| Revenue from external customers | 278,484 | 206,748 | - | 485,232 |
| Profit before zakat | 40,207 | 22,030 | - | 62,237 |
| Depreciation and amortization | 17,687 | 6,076 | - | 23,763 |
| | March 31, 2020 (Audited) | | | |
| | Drinks | Non-Drinks | Unallocated | Total |
| Property, plant and equipment | 582,119 | 215,406 | - | 797,525 |
| Right-of-use assets | 58,831 | 13,333 | - | 72,164 |
| Intangible assets | - | 26,133 | - | 26,133 |
| Other non-current assets | - | 5,403 | 243 | 5,646 |
| Current assets | - | 55,036 | 1,217,965 | 1,273,001 |
| Total assets | 640,950 | 315,311 | 1,218,208 | 2,174,469 |
| Current liabilities | 9,260 | 34,885 | 454,313 | 498,458 |
| Non-controlling interest put option and other liabilities | - | 29,330 | - | 29,330 |
| Lease liabilities | 47,018 | 10,156 | - | 57,174 |
| Employee benefit obligations | - | 230 | 112,811 | 113,041 |
| Total liabilities | 56,278 | 74,601 | 567,124 | 698,003 |

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)
(All amounts in Saudi Riyals thousands unless otherwise stated)

4. Segment information (continued)

4.1 Operating segment (continued)

The management has categorized its geographical operations as follows:

| | Three-month period ended June 30, | |
|--|--|--------------------|
| | 2020 | 2019 |
| | (Unaudited) | (Unaudited) |
| Geographic information | | |
| Revenue from external customers | | |
| Kingdom of Saudi Arabia | 492,341 | 406,356 |
| Poland | 40,128 | 51,855 |
| Gulf Cooperation Council (GCC countries) | 16,828 | 15,114 |
| Others | 16,696 | 11,907 |
| Total | 565,993 | 485,232 |
| | June 30, | March 31, |
| | 2020 | 2020 |
| | (Unaudited) | (Audited) |
| Non-current operating assets | | |
| Kingdom of Saudi Arabia | 809,733 | 802,212 |
| Poland | 74,037 | 75,171 |
| Gulf Cooperation Council (GCC countries) | 19,326 | 18,848 |
| Others | 5,892 | 5,237 |
| Total | 908,988 | 901,468 |

4.2 Adjustments

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

4.3 Reconciliation of profit

| | Three-month period ended June 30, | |
|-----------------------|--|--------------------|
| | 2020 | 2019 |
| | (Unaudited) | (Unaudited) |
| Profit before zakat | 75,802 | 62,237 |
| Zakat | (5,268) | (4,331) |
| Profit for the period | 70,534 | 57,906 |

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. Group information

The condensed consolidated interim financial information of the Group includes:

| Name | Relationship | Principal activities | Country of incorporation | % equity interest | |
|--|--------------|------------------------------|--------------------------|-------------------|----------------|
| | | | | June 30, 2020 | March 31, 2020 |
| SADAFCO Bahrain Company SPC | Subsidiary | Foodstuff and dairy products | Bahrain | 100% | 100% |
| SADAFCO Jordan Foodstuff Company LLC | Subsidiary | Foodstuff and dairy products | Jordan | 100% | 100% |
| SADAFCO Qatar 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 | 76% | 76% |
| Foodexo sp. Z.o.o. | Subsidiary | Dairy products | Poland | 76% | 76% |
| Mlekoma Dairy Z.o.o | Associate | Dairy products | Poland | 37% | 37% |

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

SADAFCO's largest shareholder is Qurain Petrochemical Industries Company K.S.C.P. ("QPIC") which is the parent company of the Group and an associate of Kuwait Projects Company Holding K.S.C.P. ("KIPCO"). QPIC and KIPCO both are listed on Kuwait Stock Exchange.

6. Earnings per share (EPS)

The basic and dilutive EPS is computed as follows:

| | Three-month period ended June 30, | |
|---|-----------------------------------|------------------|
| | 2020 (Unaudited) | 2019 (Unaudited) |
| Profit attributable to owners of SADAFCO | 70,402 | 58,283 |
| Weighted average number of ordinary shares outstanding (in thousands) | 32,000 | 32,000 |
| Basic and diluted earnings per share (Saudi Riyals) | 2.20 | 1.82 |

7. Property, plant and equipment

The additions during the three-month period ended June 30, 2020 amounting to Saudi Riyals 28.7million (year ended March 31, 2020: Saudi Riyals 92.6 million and three-month period ended June 30, 2019: Saudi Riyals 18.9 million), mainly represent additions to capital work-in-progress for plant and machinery in the existing factories.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

8. Zakat matters

Zakat assessments for the years up to and including 2017 have been finalized with the General Authority for Zakat and Tax (GAZT). During this quarter, the GAZT has raised assessments for the years 2018 and 2019 with additional zakat liabilities of Saudi Riyals 3.9 million on June 29, 2020. The Company has accepted these assessments and settled these liabilities on July 6, 2020 and finalized the position for these years. The Company has received zakat certificate valid until July 31, 2021.

9. Related party matters**9.1 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 June 30 and balances arising there from are described as under:

| Transactions with | Nature of transaction | Amount of transactions Three-month period ended June 30, | | Due to related parties June 30, | |
|---|-----------------------|--|--------------------------|------------------------------------|--------------------------------|
| | | 2020 (Un- audited) | 2019 (Un- audited) | 2020 (Un- audited) | March 31, 2020 (Audited) |
| Buruj Cooperative Insurance Company (affiliate) (*) | Insurance premium | 2,777 | 2,648 | 2,438 | 2,281 |
| PKC Advisory (affiliate) | Consultancy services | 226 | 198 | - | - |
| | | | | 2,438 | 2,281 |

(*) These transactions represent the insurance premium expense net of any claims received from Buruj Cooperative Insurance Company.

9.2 Compensation of key management personnel of the Group

Compensation to Group's key management personnel includes salaries and contributions to post-employment defined benefit plan. The Group has recognized an expense of Saudi Riyals 3.8 million for the three-month period ended June 30, 2020 (June 30, 2019: Saudi Riyals 3.9 million).

10 Financial Instruments**10.1 Financial assets**

| | June 30, 2020 (Unaudited) | March 31, 2020 (Audited) |
|---|---------------------------------|--------------------------------|
| Financial assets at amortised cost | | |
| Trade and other receivables | 197,923 | 215,968 |
| Cash and cash equivalents | 721,063 | 645,839 |
| Security and other deposits | 5,117 | 3,726 |
| Total financial assets | 924,103 | 865,533 |

Trade and other receivables

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

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)
 (All amounts in Saudi Riyals thousands unless otherwise stated)

10 Financial Instruments (continued)

10.2 Financial liabilities

| | June 30, 2020 (Unaudited) | March 31, 2020 (Audited) |
|---|--|---|
| Financial liabilities at amortised cost | | |
| Trade and other payables | 209,397 | 221,172 |
| Accruals and other liabilities | 273,077 | 239,966 |
| Lease liabilities | 70,942 | 69,325 |
| Dividends payable | 83,474 | 3,475 |
| Due to related parties | 2,438 | 2,281 |
| | 639,328 | 536,219 |
| Financial liabilities at fair value through profit or loss | | |
| Non-controlling interest put option and other liabilities | 33,156 | 32,416 |
| | 33,156 | 32,416 |
| Total financial liabilities | 672,484 | 568,635 |

The carrying amount of financial assets and liabilities approximates their fair value. Financial assets are not considered to pose a significant credit risk.

10.3 Fair value measurement

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)
 (All amounts in Saudi Riyals thousands unless otherwise stated)

10. Financial Instruments (continued)

10.3 Fair value measurement (continued)

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.

10.4 Financial instruments carried at fair value

a) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

| | Non-controlling interest put option and other liabilities |
|---------------------------|--|
| April 1, 2020 (audited) | 32,416 |
| Unwinding of discount | 740 |
| June 30, 2020 (unaudited) | <u>33,156</u> |

11. Commitments and contingencies

- (a) As at June 30, 2020, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 77.1 million (March 31, 2020: Saudi Riyals 72.2 million).
- (b) As at June 30, 2020, the Group has contingent liabilities of Saudi Riyals 3.3 million (March 31, 2020: Saudi Riyals 3.3 million) in respect of guarantees issued for various business needs.

12. Other reserve

In the prior years, the shareholders decided to create a voluntary reserve by transfer of ten percent of the net income attributable to equity shareholders of SADAFCO to the reserve. The utilization of this reserve is at the discretion of the shareholders. In the current period, transfer has been made to the voluntary reserve.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. Dividends

In the Extraordinary General Assembly Meeting of the Company held on June 16, 2020, the shareholders approved payment of final dividend of Saudi Riyals 2.5 per share (Saudi Riyals 79.9 million).

14. Corresponding figure

'General and administrative expenses' amounting to Saudi Riyals 2.1 million have been reclassified to 'Finance costs' in June 30, 2019 comparative in the condensed consolidated interim statement of profit or loss to confirm with the current period presentation.

15. Authorization of financial information

These condensed consolidated interim financial information was authorized for issue by the Board of Directors on July 26, 2020.