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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021
AND INDEPENDENT AUDITOR'S REPORT

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2021

Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudia Dairy & Foodstuff Company (SADAFCO) (the "Company") and its subsidiaries (together the "Group") as at March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended March 31, 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at March 31, 2021;
- the consolidated statement of changes in equity for the year ended March 31, 2021;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Key audit matter	• Carrying value of goodwill

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO) (continued)

Our audit approach (continued)

Key audit matter	How our audit addressed the Key audit matter
Carrying value of goodwill	
As at March 31, 2021, the Group had goodwill amounting to Saudi Riyal 17.6 million, which arose on the acquisition of a total stake of 76% in Mlekoma group ("Mlekoma") on July 2, 2018, through SADAFCO Poland, a wholly owned subsidiary of the Group. In accordance with accounting standard IAS 36, "Impairment of assets", an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment. Goodwill is monitored by management at the level of cash-generating units ("CGUs"), which are the primary operating elements of the business concerned. Management carried out an impairment exercise in respect of goodwill allocated to Mlekoma by determining a recoverable amount based on value-in-use discounted cash flow model, which utilized the most recent five-year business plan prepared by the management. The outcome of this exercise did not result in any impairment loss to be recognized. We considered impairment testing of goodwill performed by management to be a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment were: (a) assumptions concerning the expected economic conditions, especially growth, beyond the forecasted period, in the markets in which Mlekoma primarily operates; and (b) earnings before interest, taxes, depreciation and amortisation (EBITDA) margins and discount rate used in the value-in-use cash flow model. *Refer to Note 4 and Note 14 for estimates, judgements and assumptions made in applying the accounting policy and for related disclosures.*	We assessed management's impairment assessment of goodwill by performing the following procedures: • Assessed the methodology used by management to determine the recoverable value based on the value-in-use and compared it to that required by IAS 36. We also tested the arithmetical accuracy and logical integrity of the underlying calculations in the model. • Tested the accuracy and relevance of the input data by reference to supporting evidence, such as approved business plan and considered the reasonableness of five-year business plan by comparison to the Group's historical results and performance against budgets. • Engaged our valuation experts to assist in the review of the methodology of the value-in-use calculations and use of assumptions of discount rates and long-term growth rates. • Reviewed the sensitivity analysis, performed by management, over key assumptions in order to assess the potential impact of a range of possible outcomes. We also reviewed the adequacy and appropriateness of the disclosures included in the notes to the accompanying consolidated financial statements in relation to testing goodwill for possible impairment.

Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO) (continued)

Other information

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

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

The Group's audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO) (continued)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

May 10, 2021

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PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

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

	Note	Year ended March 31, 2021	2020
Revenue – net	6	**2,105,398**	2,056,091
Cost of revenue	8	**(1,411,572)**	(1,366,912)
Gross profit		**693,826**	689,179
Selling and distribution expenses	9	**(306,661)**	(300,646)
General and administrative expenses	10	**(108,526)**	(100,767)
Impairment losses on financial assets	17	**(2,107)**	(14,220)
Other operating income		**8,931**	2,556
Operating profit		**285,463**	276,102
Finance income		**6,159**	11,410
Finance costs		**(7,767)**	(3,817)
Profit before zakat		**283,855**	283,695
Zakat expense	22	**(22,962)**	(18,583)
Profit for the year		**260,893**	265,112
Profit is attributable to:			
Owners of SADAFCO		**260,553**	266,260
Non-controlling interests		**340**	(1,148)
		260,893	265,112
Earnings per share:			
Basic and diluted earnings per share (Saudi Riyals) attributable to owners of SADAFCO	11	**8.14**	8.32

The notes from 1 to 30 form part of these consolidated financial statements.

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Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Shehzad Altaf
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

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

	Note	Year ended March 31, 2021	2020
Profit for the year		**260,893**	265,112
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(4,463)**	(437)
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	26	**(3,574)**	(2,068)
Other comprehensive loss for the year		**(8,037)**	(2,505)
Total comprehensive income for the year		**252,856**	262,607
Total comprehensive income for the year is attributable to:			
Owners of SADAFCO		**252,518**	262,382
Non-controlling interests		**338**	225
		252,856	262,607

The notes from 1 to 30 form part of these consolidated financial statements.

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Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Shehzad Altaf
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

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

	Note	As at March 31, 2021	2020
Assets			
Non-current assets			
Property, plant and equipment	12	**860,729**	797,525
Right-of-use assets	13	**63,155**	72,164
Intangible assets	14	**21,975**	26,133
Other non-current assets		**5,537**	5,646
		951,396	901,468
Current assets			
Inventories	16	**302,223**	357,627
Trade and other receivables	17	**227,194**	215,968
Deposits, prepayments and other assets	18	**35,332**	53,567
Cash and cash equivalents	19	**713,290**	645,839
		1,278,039	1,273,001
Total assets		**2,229,435**	2,174,469
Liabilities			
Non-current liabilities			
Employee benefit obligations	26	**119,794**	113,041
Lease liabilities	13	**53,721**	57,174
Non-controlling interest put option and other liabilities	15	**26,881**	29,330
		200,396	199,545
Current liabilities			
Trade and other payables	23	**168,971**	221,172
Accruals and other liabilities	24	**267,188**	243,052
Due to related parties	25	**2,332**	2,281
Current portion of lease liabilities	13	**10,119**	12,151
Dividends payable		**3,388**	3,475
Zakat payable	22	**22,222**	16,327
		474,220	498,458
Total liabilities		**674,616**	698,003
Equity			
Issued share and paid up capital	20	**325,000**	325,000
Statutory reserve	20	**162,500**	162,500
Other reserve	20	**282,443**	256,388
Treasury shares	20	**(51,559)**	(51,559)
Foreign currency translation reserve		**(6,796)**	(2,335)
Retained earnings		**821,758**	766,833
Equity attributable to owners of SADAFCO		**1,533,346**	1,456,827
Non-controlling interests		**21,473**	19,639
Total equity		**1,554,819**	1,476,466
Total liabilities and equity		**2,229,435**	2,174,469

The notes from 1 to 30 form part of these consolidated financial statements.

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Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Shehzad Altaf
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
(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 reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at March 31, 2019	325,000	162,500	229,762	(51,559)	(525)	673,267	1,338,445	19,414	1,357,859
Profit / (loss) for the year	-	-	-	-	-	266,260	266,260	(1,148)	**265,112**
Other comprehensive (loss)/income	-	-	-	-	(1,810)	(2,068)	(3,878)	1,373	**(2,505)**
Total comprehensive (loss) / income for the year	-	-	-	-	(1,810)	264,192	262,382	225	**262,607**
Dividends declared	-	-	-	-	-	(144,000)	(144,000)	-	**(144,000)**
Transfer to other reserve (Note 20)	-	-	26,626	-	-	(26,626)	-	-	-
Balance at March 31, 2020	**325,000**	**162,500**	**256,388**	**(51,559)**	**(2,335)**	**766,833**	**1,456,827**	**19,639**	**1,476,466**
Profit for the year	-	-	-	-	-	260,553	260,553	340	**260,893**
Other comprehensive loss	-	-	-	-	(4,461)	(3,574)	(8,035)	(2)	**(8,037)**
Total comprehensive (loss) / income for the year	-	-	-	-	(4,461)	256,979	252,518	338	**252,856**
Other changes in non-controlling interest	-	-	-	-	-	-	-	1,496	**1,496**
Dividends declared (Note 29)						(175,999)	(175,999)	-	**(175,999)**
Transfer to other reserve (Note 20)	-	-	26,055	-	-	(26,055)	-	-	-
Balance at March 31, 2021	**325,000**	**162,500**	**282,443**	**(51,559)**	**(6,796)**	**821,758**	**1,533,346**	**21,473**	**1,554,819**

The notes from 1 to 30 form part of these consolidated financial statements.

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Mussad Abdullah Al Nassar
Member Board of Directors

Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

Shehzad Altaf
Chief Financial Officer

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

	Note	Year ended March 31, 2021	2020
Cash flow from operating activities			
Profit before zakat		**283,855**	283,695
Adjustments for:			
Depreciation and amortization	12, 13, 14	**104,395**	99,805
Gain on disposal of property, plant and equipment		**(1,099)**	(677)
Impairment losses on financial assets	17	**2,107**	14,220
Finance costs on lease liabilities	13	**2,818**	3,267
Finance costs on non-controlling interest put option	27	**3,303**	1,275
Finance costs on contingent consideration payable	27	**516**	122
Loss on termination of a lease contract	13	**66**	-
Provision for slow moving and obsolete inventories	16	**(401)**	1,870
Provision for employee benefit obligations	26	**15,683**	16,038
Others		**109**	(742)
		411,352	418,873
Working capital			
Inventories		**55,805**	(82,080)
Trade and other receivables		**(13,333)**	(37,396)
Deposits, prepayments and other assets		**18,235**	(15,514)
Trade and other payables		**(52,201)**	23,086
Accruals and other liabilities		**28,889**	43,482
Due to related parties		**51**	214
Cash flow from operating activities		**448,798**	350,665
Employee benefit obligations paid	26	**(12,504)**	(14,641)
Zakat paid	22	**(21,679)**	(18,445)
Net cash inflow from operating activities		**414,615**	317,579
Cash flow from investing activities			
Purchase of property, plant and equipment	12	**(152,429)**	(92,628)
Sale proceeds from disposal of property, plant and equipment		**1,742**	1,873
Acquisition of non-current assets		**-**	(85)
Net cash outflow from investing activities		**(150,687)**	(90,840)
Cash flow from financing activities			
Dividends paid to owners of SADAFCO	29	**(176,086)**	(143,602)
Payment for contingent consideration	27	**(4,500)**	-
Change in non-controlling interest		**1,496**	-
Lease payments	13	**(15,049)**	(18,916)
Net cash outflow from financing activities		**(194,139)**	(162,518)
Net change in cash and cash equivalents		**69,789**	64,221
Effects of exchange rate fluctuations on cash and cash equivalents		**(2,338)**	(437)
Cash and cash equivalents at the beginning of the year		**645,839**	582,055
Cash and cash equivalents at the end of the year	19	**713,290**	645,839

The notes from 1 to 30 form part of these consolidated financial statements.

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Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Shehzad Altaf
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

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 consolidated financial statements.

These consolidated financial statements were authorized for issue by the Board of Directors on May 10, 2021.

Impact of COVID - 19

The novel Coronavirus (COVID-19) pandemic has spread across various geographies globally, disrupting business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

In response to the spread of COVID-19 in Gulf Cooperation Council ("GCC") and its resulting disruptions to the social and economic activities in those markets, the Group's management has proactively assessed its impacts on its operations and has taken a series of preventive measures to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets. Notwithstanding these challenges, the Group's operations remained largely unaffected as the food industry in general was exempt from the various bans and constraints imposed by various regulatory authorities including exemption from curfew hours and cargo shipping and flight operations restrictions. The underlying demand from retail and wholesale customers for the Group's products has been largely unaffected. Based on these factors, Management believes that the COVID-19 pandemic has had no material effect on Group's reported financial results for the year ended March 31, 2021 and no significant changes were required to the judgements and key estimates. The Group is continuously monitoring the evolving scenario and any change in the judgements and key estimates will be reflected as part of the operating results and cash flows of the future reporting periods. Also see Note 4 (v).

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Preparation of the consolidated financial statements

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

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

2 Basis of preparation (continued)

2.3 New standards and amendments applicable from April 1, 2020

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after April 1, 2020:

Title	Key requirements	Effective Date	Impact
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: - that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole; and - the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.	April 1, 2020	The amendment did not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.
Definition of a Business – Amendments to IFRS 3	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.	April 1, 2020	The amendment did not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.

2 Basis of preparation (continued)

2.3 New standards and amendments applicable from April 1, 2020 (continued)

Title	Key requirements	Effective Date	Impact
Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39	The amendments made to IFRS 7 Financial Instruments: Disclosures, IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.	April 1, 2020	The amendment did not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: - increasing the prominence of stewardship in the objective of financial reporting - reinstating prudence as a component of neutrality defining a reporting entity, which may be a legal entity, or a portion of an entity - revising the definitions of an asset and a liability - removing the probability threshold for recognition and adding guidance on derecognition - adding guidance on different measurement basis, and - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	April 1, 2020	Management has considered the revised conceptual framework and has concluded that the accounting policies are appropriate and does not expect any change in its accounting policies due to such revision.

(All amounts in Saudi Riyals thousands unless otherwise stated)

2 Basis of preparation (continued)

2.3 New standards and amendments applicable from April 1, 2020 (continued)

Title	Key requirements	Effective Date	Impact
COVID-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.	June 1, 2020	There were no rent concessions granted to the Group during the annual reporting period ended on March 31, 2021.

2.4 Standards, interpretations and amendments issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for March 31, 2021 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 Significant accounting policies

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

3.1 Principles of consolidation and equity accounting

Subsidiaries

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

The acquisition method of accounting is used to account for business combination by the Group. 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 losses control of the subsidiary. Assets, liabilities income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements 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 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.

3 Significant accounting policies (continued)

3.1 Principles of consolidation and equity accounting (continued)

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 consolidated statement of profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the investee, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the investee.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the SADAFCO. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of SADAFCO. When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the investee is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

3 Significant accounting policies (continued)

3.2 Fair value measurement

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

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Refer Note 27 for more details.

3.3 Segment reporting

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

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

3 Significant accounting policies (continued)

3.4 Foreign currencies translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Saudi Riyals, which is SADAFCO's functional and presentation currency.

Transaction and balances

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

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

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

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

Group companies

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

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of end of reporting period;
- income and expenses for each consolidated statement of profit or loss and consolidated statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

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

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

3 Significant accounting policies (continued)

3.5 Revenue recognition

The Group recognises revenue to depict the transfer of promised goods to customers. Revenue is measured based on the consideration specified in a contract with a customer net of returns, trade discounts, volume rebates and value added taxes.

Revenue is recognised when a customer obtains control of the goods or services (i.e. when it has the ability to direct the use of and obtain benefits from the goods). Customers obtain control when goods are delivered to and have been accepted by them as per the applicable delivery terms and, accordingly, revenue is recognised at that point-in-time. Invoices are usually payable within credit period agreed with the customer which may vary from one to another. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data, incase such returns are material.

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

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

No element of financing component is deemed present as the sales are made either on cash or on credit terms consistent with market practice. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

3.6 Selling, distribution, general and administrative expenses

Selling, distribution and general and administrative expenses include direct and indirect costs not specifically part of cost of revenue. Costs directly and indirectly related to marketing and distribution activities are classified as selling and distribution expenses. All other costs are classified under general and administrative expenses. Allocations between selling, distribution and general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

3.7 Dividends distribution

Dividend distribution to SADAFCO's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by SADAFCO's shareholders.

3.8 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

3 Significant accounting policies (continued)

3.8 Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in consolidated statement of profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated statement of profit or loss. The Group recognises contingent consideration which results from business combinations at fair value at acquisition date. Management exercises judgement in the determination of the discount rate and the probability of performance targets being met.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

3.9 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 are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met and the amounts are expected to be material.

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

3.9 Property, plant and equipment (continued)

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

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

3.10 Intangible assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Brands, customer and supplier relationships

Separately acquired intangibles are recorded at historical cost. Brands, customer and supplier relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses.

Amortization is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives as follows:

	Number of years
• Brand and others	4-5

3.11 Zakat and income tax on foreign entities

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

3 Significant accounting policies (continued)

3.11 Zakat and income tax on foreign entities (continued)

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

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

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

3.12 Leases

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

Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

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

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

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

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

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

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

3 Significant accounting policies (continued)

3.12 Leases (continued)

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

Extension and termination options are included in a number of lands and depots leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable by both the parties.

At March 31, 2021 and 2020, the Group did not have any lease contract classified as right-of-use assets that are variable in nature. Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable by both the parties. The Group assesses at lease commencement whether it is reasonably certain to exercise the option. The Group does not provide residual value guarantees in relation to any of its leases.

3.13 Financial instruments

Non-Derivative Financial instruments

(i) Financial assets (Non-derivative)

Classification

On initial recognition, a financial asset is classified in either of the following categories:

- subsequently measured at amortised cost;
- subsequently measured at fair value through other comprehensive income ("FVOCI") – debt instrument;
- subsequently measured at fair value through other comprehensive income ("FVOCI") – equity instrument; or
- subsequently measured at fair value through profit or loss ("FVPL").

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Debt instruments

A 'debt instrument' is classified as subsequently measured at amortised cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

3 Significant accounting policies (continued)

3.13 Financial instruments (continued)

If the above two conditions are not met, the 'debt instrument' is classified as subsequently measured at fair value, either at FVPL or FVOCI, based on the business model.

(a) Measurement

Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

Debt instruments subsequently measured at amortised cost

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss. This category generally applies to trade and other receivables, bank balances, security deposits, advances to employees.

Debt instruments subsequently measured at fair value

For this category, if applicable, such financial assets are subsequently measured at fair value at the end of each reporting period, with all changes recognised either in profit or loss for equity instruments classified as FVPL, or within other comprehensive income for equity instruments classified as FVOCI.

(b) Derecognition

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

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

3 Significant accounting policies (continued)

3.13 Financial instruments (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(c) Impairment

The Group applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments, and are measured at amortised cost (e.g. deposits, trade receivables and bank balances). The Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables, if they do not contain a significant financing component.

The application of a simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Group uses a provision matrix in the calculation of the ECL on financial assets to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. The provision matrix is developed considering probability of default and loss given default which were derived from historical data of the Group and are adjusted to reflect the expected future outcome.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in profit or loss.

(ii) Financial liabilities (Non-derivative)

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Non-derivative financial liabilities of the Group comprise trade and other payables.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3 Significant accounting policies (continued)

3.13 Financial instruments (continued)

Derivative Financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period as assets where the fair value is positive and as liabilities where the fair value is negative. The Group has not designated any derivative as a hedging instrument. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the consolidated statement of profit or loss and are included in "Other operating income". Any related transaction costs are recognised in profit or loss as incurred. Gain / loss on matured derivative financial instruments is recognized in the consolidated statement of profit or loss and is included in "Other operating income".

3.14 Impairment of non-financial assets

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

3.15 Cash and cash equivalents

Cash and cash equivalents in the consolidated 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 consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank borrowing (if any) as they are considered an integral part of the Group's cash management.

3.16 Trade and other receivables

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

3.17 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs of finished goods include material cost, direct labour and appropriate manufacturing overhead. The cost of inventories includes expenditure incurred in acquiring and bringing them to their existing location and condition. Costs are assigned to individual items of inventory on the basis of first-in-first out. Costs of purchased inventory are determined after deducting rebates and discounts.

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

3.18 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 rate method.

3 Significant accounting policies (continued)

3.19 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.

3.20 Non-controlling interest put options

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

3.21 Employee benefit obligations

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

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

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

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

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

3.22 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.23 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost. Treasury shares are presented as a deduction from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the SADAFCO's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as share premium or discount which is presented in equity.

3 Significant accounting policies (continued)

3.24 Other reserve

In accordance with Company's by-laws, the shareholders decided to create a voluntary reserve by the transfer of 10% of the annual 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.

3.25 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group.
- 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.

4 Critical accounting estimates and judgments

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

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

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

(i) Goodwill - Annual impairment testing of goodwill

The Group's management tests whether goodwill has suffered any impairment at least on an annual basis. This requires an estimation of recoverable amounts of the cash-generating units to which the goodwill is allocated. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, EBITDA margins and the terminal growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value-in-use are disclosed and further explained in Note 14 to the consolidated financial statements.

4 Critical accounting estimates and judgments (continued)

(ii) Non-controlling interest put options

The fair value of non-controlling interest put options are recognised at the present value of redemption amount based on discount future cash flow analysis. The Group uses its judgment to select a variety of methods, and assumptions made are based on market and Group specific conditions existing at each reporting period. Further details are explained in Note 15 to the consolidated financial statements.

(iii) Measurement of post-employment defined benefits

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

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high quality bonds obligation, as designated by an internationally acknowledged rating agency are considered, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. Further details are explained in Note 26 to the consolidated financial statements.

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

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewable options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Refer Note 13 for further details.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

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

Most extension options on depot facilities and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Critical accounting estimates and judgments (continued)

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

Measurement of ECL is a significant estimate that involves the determination of the methodology, models and data inputs. The Group used supportable forward-looking information for measurement of ECL. The most significant forward-looking information used in determination of ECL is disclosed in Note 28.

The existence of COVID-19 was confirmed in early 2020 and spread globally, causing disruptions to businesses and economic activity. In the determination of ECL for the year ended March 31, 2021, the Group has considered the potential impact (based on the best available information) of the uncertainties caused by the COVID-19 pandemic and found that the payment cycle for few customers was affected during the year and the impact was considered in the determination of ECL. However, on overall basis, the customers were not significantly affected by COVID-19. Further, management considered the impact of forward-looking information used in determination of ECL and the impact of that on ECL for the year ended March 31, 2021 was immaterial. As mentioned in Note 1, the Group's management continues to monitor the situation closely.

5 Group information

The consolidated financial statements of the Group include:

Name	Relationship	Principal activities	Country of incorporation	% equity interest March 31, 2021	% equity interest March 31, 2020
SADAFCO Bahrain Company LLC	Subsidiary	Foodstuff and dairy products	Bahrain	**100%**	100%
SADAFCO Jordan Foodstuff Company LLC	Subsidiary	Foodstuff and dairy products	Jordan	**100%**	100%
SADAFCO Qatar W.L.L.	Subsidiary	Foodstuff and dairy products	Qatar	**75%**	75%
SADAFCO Kuwait Foodstuff Co. W.L.L (*)	Subsidiary	Foodstuff and dairy products	Kuwait	**49%**	49%
SADAFCO Poland Sp. z o.o. ("SADAFCO Poland")	Subsidiary	Holding company	Poland	**100%**	100%
Mlekoma Sp. z o.o.	Subsidiary	Dairy products	Poland	**76%**	76%
Foodexo Sp. z o.o.	Subsidiary	Dairy products	Poland	**76%**	76%
Mlekoma Dairy Sp. z o.o.	Associate	Dairy products	Poland	**37%**	37%

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

The Group's parent entity is Al Qurain Petrochemicals Industries Company ("QPIC"), which is an associate of Kuwait Projects Company Holding ("KIPCO"). QPIC holds shareholding equal to 40.11% of the share capital (2020: 40.11% of the share capital). Both, QPIC and KIPCO are listed on Kuwait Stock Exchange.

6 Segment information

6.1 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 (Chief Operating Decision Maker), who are 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Segment information (continued)

6.1 Operating segment (continued)

	March 31, 2021			
	Drinks	**Non- drinks**	**Unallocated**	**Total**
Segment profit or loss				
Segment revenue – net	**1,310,963**	**912,198**	**-**	**2,223,161**
Inter-segment revenue – net	**(33,798)**	**(83,965)**	**-**	**(117,763)**
Revenue from external customers	**1,277,165**	**828,233**	**-**	**2,105,398**
Profit before zakat	**175,294**	**108,561**	**-**	**283,855**
Depreciation and amortization	**72,035**	**32,360**	**-**	**104,395**
Finance income	**-**	**3,050**	**3,109**	**6,159**
Finance cost	**3,367**	**4,400**	**-**	**7,767**
Segment assets				
Property, plant and equipment	**596,397**	**264,332**	**-**	**860,729**
Right-of-use asset	**51,866**	**11,289**	**-**	**63,155**
Intangible assets	**-**	**21,975**	**-**	**21,975**
Other non-current assets	**-**	**5,294**	**243**	**5,537**
Current assets	**-**	**63,053**	**1,214,986**	**1,278,039**
Total assets	**648,263**	**365,943**	**1,215,229**	**2,229,435**
Segment liabilities				
Current liabilities	**7,577**	**37,798**	**428,845**	**474,220**
Non-controlling interest put option and other liabilities	**-**	**26,881**	**-**	**26,881**
Lease liabilities	**44,504**	**9,217**	**-**	**53,721**
Employee benefit obligations	**-**	**261**	**119,533**	**119,794**
Total liabilities	**52,081**	**74,157**	**548,378**	**674,616**

	March 31, 2020			
	Drinks	**Non- drinks**	**Unallocated**	**Total**
Segment profit or loss				
Segment revenue – net	1,277,920	890,306	-	2,168,226
Inter-segment revenue –net	(29,809)	(82,326)	-	(112,135)
Revenue from external customers	1,248,111	807,980	-	2,056,091
Profit before zakat	192,052	91,643	-	283,695
Depreciation and amortization	72,546	27,259	-	99,805
Finance income	-	187	11,223	11,410
Finance costs	2,685	1,132	-	3,817
Segment assets				
Property, plant and equipment	582,119	215,406	-	797,525
Right-of-use asset	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
Segment liabilities				
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 benefits obligations	-	230	112,811	113,041
Total liabilities	56,278	74,601	567,124	698,003

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Segment information (continued)

6.1 Operating segment (continued)

The management has categorised its geographical operations as follows:

	2021	2020
Geographic information		
Revenue from external customers		
Kingdom of Saudi Arabia	**1,810,894**	1,751,881
Poland	**159,404**	197,541
Gulf Cooperation Council (GCC) countries	**63,607**	58,874
Others	**71,493**	47,795
	2,105,398	2,056,091
Non-current operating assets		
Kingdom of Saudi Arabia	**864,576**	802,212
Poland	**66,318**	75,171
Gulf Cooperation Council (GCC) countries	**17,644**	18,848
Others	**2,858**	5,237
	951,396	901,468

6.2 Reconciliation of profit

	2021	2020
Profit before zakat	**283,855**	283,695
Zakat	**(22,962)**	(18,583)
Profit after zakat	**260,893**	265,112

7 Capital management

At March 31, 2021 and March 31, 2020, the Group has no outstanding borrowing arrangements and, therefore, the gearing ratio is not presented.

For the purpose of the Group's capital management, capital includes issued share and paid up capital, statutory reserve, other reserve and foreign currency translation reserve. The primary objective of the Group's capital management is to maximize the shareholder value.

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

8 Cost of revenue

	Note	2021	2020
Material cost		**1,085,281**	1,071,950
Employee costs		**156,985**	151,703
Depreciation	12 & 13	**57,099**	56,721
Transportation cost		**43,243**	40,471
Other overheads		**68,964**	46,067
		1,411,572	1,366,912

9 Selling and distribution expenses

	Note	2021	2020
Employee costs		**177,874**	171,761
Advertising and sales promotion		**45,185**	46,463
Depreciation	12 & 13	**38,267**	37,160
Repairs and maintenance costs		**8,520**	9,472
Insurance		**3,738**	3,287
Communication		**2,218**	2,367
Others		**30,859**	30,136
		306,661	300,646

10 General and administrative expenses

	Note	2021	2020
Employee costs		**68,470**	66,867
Depreciation and amortisation	12, 13 & 14	**9,029**	5,924
Repairs and maintenance costs		**2,819**	3,151
Directors' remuneration		**2,800**	2,800
Communication		**2,070**	1,922
Bank charges		**1,110**	963
Others		**22,228**	19,140
		108,526	100,767

11 Earnings per share

The basic and diluted earnings per share is computed for the year ended March 31 as follows:

	2021	2020
Profit attributable to owners of SADAFCO	**260,553**	266,260
Weighted average number of ordinary shares outstanding (in thousands)	**32,000**	32,000
Basic and diluted earnings per share	**8.14**	8.32

Treasury shares

As of March 31, 2021 and March 31, 2020, the Company held 500,250 treasury shares.

	2021	2020
Treasury shares	**51,559**	51,559

(All amounts in Saudi Riyals thousands unless otherwise stated)

12 Property, plant and equipment

	Land and buildings	Machinery and equipment	Vehicles and trailers	Furniture, fixtures and office equipment	Capital work-in-progress	Total
Cost						
April 1, 2019	416,906	955,807	232,197	96,867	188,823	**1,890,600**
Additions	1,799	2,393	17,277	1,333	69,826	**92,628**
Disposals	(29)	(6,025)	(8,846)	(188)	-	**(15,088)**
Transfers	105,877	78,511	2,032	3,240	(189,660)	-
March 31, 2020	524,553	1,030,686	242,660	101,252	68,989	**1,968,140**
Accumulated depreciation						
April 1, 2019	224,978	624,886	175,943	77,772	-	**1,103,579**
Charge for the year	17,066	42,028	16,990	4,844	-	**80,928**
Disposals	-	(5,815)	(8,014)	(63)	-	**(13,892)**
March 31, 2020	242,044	661,099	184,919	82,553	-	**1,170,615**
Net book value at March 31, 2020	**282,509**	**369,587**	**57,741**	**18,699**	**68,989**	797,525
Cost						
April 1, 2020	524,553	1,030,686	242,660	101,252	68,989	**1,968,140**
Additions	576	3,296	872	625	147,060	**152,429**
Disposals	(325)	(3,701)	(12,760)	(447)	(261)	**(17,494)**
Transfers	7,287	50,764	18,466	1,114	(77,631)	-
Currency translation	(2,072)	(2,164)	(97)	(278)	(155)	**(4,766)**
March 31, 2021	530,019	1,078,881	249,141	102,266	138,002	**2,098,309**
Accumulated depreciation						
April 1, 2020	242,044	661,099	184,919	82,553	-	**1,170,615**
Charge for the year	17,834	44,856	17,502	5,815	-	**86,007**
Disposals	(58)	(3,677)	(12,669)	(447)	-	**(16,851)**
Currency translation	(341)	(1,582)	(79)	(189)	-	**(2,191)**
March 31, 2021	259,479	700,696	189,673	87,732	-	**1,237,580**
Net book value at March 31, 2021	**270,540**	**378,185**	**59,468**	**14,534**	**138,002**	**860,729**

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

	Note	2021	2020
Cost of revenue	8	**54,303**	52,884
Selling and distribution expenses	9	**26,149**	25,651
General and administrative expenses	10	**5,555**	2,393
		86,007	80,928

(b) The ownership interest of the Group in a freehold land held in Madinah amounting to Saudi Riyals 1.54 million (March 31, 2020: Saudi Riyals 1.54 million) is through a shareholder of the Group. The Group holds legal documents confirming its beneficial interest.

(c) The additions during the year amounting to Saudi Riyals 152.4 million (2020: Saudi Riyals 92.6 million) mainly represent additions to capital work-in-progress for new ice cream factory and other expansion projects.

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Leases

(i) The Group's leasing activities and how these are accounted for:

The Group leases various stores, offices and vehicles. Rental contracts are typically made for fixed periods of 2 to 16 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The Group's weighted average incremental borrowing rate applied to the lease liabilities ranges from 2.67% to 4.29%. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

At March 31, 2021 and 2020, the Group did not have any lease contracts classified as right-of-use asset that are variable in nature. As at March 31, 2021 and 2020, certain leases contain extension options exercisable solely by the Group before the end of the non-cancellable contract period. The Group does not provide residual value guarantees in relation to any of its leases.

(ii) Amounts recognized in the consolidated statement of financial position:

Right-of-use assets

	Land	**Buildings**	**Vehicles**	**Total**
At April 1, 2019	38,537	13,974	15,839	**68,350**
Remeasurement	3,717	7,318	7,564	**18,599**
Additions	788	-	639	**1,427**
Depreciation	(2,120)	(5,833)	(8,259)	**(16,212)**
At March 31, 2020	**40,922**	**15,459**	**15,783**	72,164
Additions	5,179	308	3,514	**9,001**
Depreciation	(2,180)	(4,788)	(8,721)	**(15,689)**
Termination	(2,321)	-	-	**(2,321)**
At March 31, 2021	**41,600**	**10,979**	**10,576**	**63,155**

Lease liabilities

	2021	**2020**
Opening balance	**69,325**	64,948
Remeasurement	**-**	18,599
Addition	**9,001**	1,427
Payments made	**(15,049)**	(18,916)
Interest charged	**2,818**	3,267
Termination	**(2,255)**	-
Closing balance	**63,840**	69,325

Contractual undiscounted cashflows pertaining to lease liabilities as of March 31, 2021 and 2020 are disclosed in Note 28.

	2021	**2020**
Lease liabilities		
Current	**10,119**	12,151
Non-current	**53,721**	57,174
	63,840	69,325

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Leases (continued)

(iii) Amounts recognised in the consolidated statement of profit or loss:

	2021	2020
Depreciation charge on right-of-use assets	**15,689**	16,212
Interest expense (included in finance costs)	**2,837**	3,267
Expense relating to short-term leases (included in cost of sales – Note 8, selling and distribution expenses – Note 9 and general and administrative – Note 10)	**7,133**	7,812

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

	Note	2021	2020
Cost of revenue	8	**2,796**	3,837
Selling and distribution expenses	9	**12,118**	11,509
General and administrative expenses	10	**775**	866
		15,689	16,212

(iv) During the year ended March 31, 2021, the Group has terminated a lease contract and the related lease liability and right-of-use asset were written off resulting in a loss of Saudi Riyals 0.06 million.

(v) There are no short-term lease commitments as of March 31, 2021 and 2020 as all amounts were paid in advance.

14 Intangible assets

	Goodwill	Brand	Others	Total
Cost				
March 31, 2020	18,720	8,656	3,421	**30,797**
Currency translation difference	(1,166)	(539)	(213)	**(1,918)**
March 31, 2021	17,554	8,117	3,208	**28,879**
Accumulated amortization				
March 31, 2020	-	3,367	1,297	**4,664**
Charge for the year	-	1,925	774	**2,699**
Currency translation difference	-	(330)	(129)	**(459)**
March 31, 2021	-	4,962	1,942	**6,904**
Net book values				
March 31, 2021	**17,554**	**3,155**	**1,266**	**21,975**
March 31, 2020	18,720	5,289	2,124	**26,133**

Amortization for the year has been allocated to 'General and administrative expenses'.

SADAFCO through its wholly-owned subsidiary, SADAFCO Poland, acquired a total stake of 76% in Mlekoma group on July 2, 2018 through a series of agreements, collectively referred to as Share Purchase Agreement ("SPA").

(a) Brand and others

The Brand and others were recognised as a part of a business combination on July 2, 2018 (the "acquisition date"). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line basis on the estimated lives of the respective intangibles.

(All amounts in Saudi Riyals thousands unless otherwise stated)

14 Intangible assets (continued)

(b) Goodwill

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

The Group tests whether goodwill has suffered any impairment on an annual basis. For the impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. For the year ended March 31, 2021, the recoverable amount of Mlekoma group which was considered as single cash generating unit was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates.

Goodwill is allocated to the Mlekoma group's operations as a whole and falls under "Non-drinks" in the operating segment.

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

Key assumptions	**2021**	**2020**
EBITDA margins	4.8%	4.2%
Discount rate	8.4%	9.5%
Terminal value growth rate	2.5%	3.0%

Sensitivity to the changes in assumptions

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

(i) EBITDA margins

It is used to measure a company's overall financial performance and profitability. If all other assumptions kept the same, a reduction of this rate by 49% (2020: 40%) across all expected cashflow would give a value in use equal to the current carrying amount.

(ii) Discount rate

The discount rate was an estimate of the weighted average cost of capital as of March 31, 2021 based on market rates adjusted to reflect management's estimate of the specific risks relating to segment and operations in Poland. If all other assumptions kept the same, an increase of this rate by 11% (2020: 6%) would give a value in use equal to the current carrying amount.

(iii) Terminal value growth rate

It is the weighted average growth rate used to extrapolate cash flows beyond the budget period. If all other assumptions kept the same, a reduction of this growth rate by 48% (2020: 24%) would give a value in use equal to the current carrying amount.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 Non-controlling interest put option and other liabilities

15.1 Non-controlling interest put option

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

In accordance with terms of the SPA, it is a binding irrevocable option to acquire from the non-controlling interest equity holders their remaining shareholding at the expiry date of the option i.e. fifth year of the completion date.

The put option available to the non-controlling interest equity holders is exercisable within period of 15 business days from the expiry date of the option. The redemption value is recognised higher of purchase price as per SPA or determined by applying earnings multiplier to audited EBITDA of financial year 2022 of Mlekoma group as reduced by net debt in accordance with the SPA. The Group has estimated a gross cash outflow of range of Saudi Riyals 25.7 million to Saudi Riyals 33.5 million at the time of exercise of option. A discount rate of 3.1% and 10.3%, respectively has been used for redemptions values based on the two options. This is a level 3 fair valuation as per IFRS 13. Refer Note 27 for fair valuation details.

15.2 Contingent consideration

Contingent consideration payable is estimated based on the terms of SPA, the management's knowledge of the business and how the current economic environment is likely to impact the business of Mlekoma Group. As of March 31, 2021, the non-current portion of contingent consideration payable amounts to Saudi Riyals Nil (2020: Saudi Riyals 3.9 million) and the current portion of contingent consideration payable amounts to Saudi Riyals 2.9 million (2020: Saudi Riyals 3.1 million), which is included in other accrual under 'Accruals and other liabilities' (Note 24).

16 Inventories

	2021	**2020**
Raw materials	**152,092**	191,564
Packing materials	**18,032**	27,045
Finished goods	**95,293**	95,608
Spare parts, supplies and other items	**19,599**	18,637
Goods-in-transit	**28,854**	36,821
	313,870	369,675
Less: Provision for slow moving and obsolete inventories (see below)	**(11,647)**	(12,048)
	302,223	357,627

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

	2021	**2020**
April 1	**12,048**	10,178
(Reversal) of / charge for the year	**(401)**	1,870
March 31	**11,647**	12,048

(All amounts in Saudi Riyals thousands unless otherwise stated)

17 Trade and other receivables

	2021	**2020**
Trade receivables	**248,257**	238,829
Less: Allowance for impairment of trade receivables (see below)	**(37,988)**	(35,881)
Net trade receivables	**210,269**	202,948
Advances and other receivables	**16,925**	13,020
	227,194	215,968

As at March 31, 2021, trade receivables with an initial carrying value of Saudi Riyals 38 million (2020: Saudi Riyals 35.9 million) were impaired and fully provided for. See below for the movements in the allowance for impairment of trade receivables.

	2021	**2020**
April 1	**35,881**	21,661
Charge for the year	**2,107**	14,220
March 31	**37,988**	35,881

It is not the practice of the Group to obtain collateral over receivables and the vast majority of receivables are therefore, unsecured. However, unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. Refer Note 27 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables.

18 Deposits, prepayments and other assets

	2021	**2020**
Prepayments	**8,496**	7,001
Advances to suppliers	**21,805**	42,840
Security and other deposits	**5,031**	3,726
	35,332	53,567

19 Cash and cash equivalents

	2021	**2020**
Cash in hand	**22,852**	21,647
Balances with banks - current account	**45,246**	61,687
Murabaha short-term bank deposits	**645,192**	562,505
	713,290	645,839

The rates on Murabaha short-term bank deposits ranges from 0.02% to 1.80% per annum for the year ended March 31, 2021 (March 31, 2020: 0.1% to 2.9% per annum). The cash is held in current accounts and Murabaha short-term bank deposits with banks having sound credit ratings. The fair value of cash and cash equivalent approximates the carrying value at each reporting period.

(All amounts in Saudi Riyals thousands unless otherwise stated)

20 Capital and reserves

20.1 Issued and paid-up capital

	2021	**2020**
Ordinary share of Saudi Riyals 10 each (*)	**32,500**	32,500
Issued share and paid-up capital		
March 31	**325,000**	325,000

(*) It includes treasury shares acquired during the year ended March 31, 2019.

20.2 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, companies are required to transfer 10% of the net profit for the year to a statutory reserve until such reserve equals 30% of its share capital. However, according to the Company's By-laws, the Company was required to transfer at least ten percent of net profit for the year to a statutory reserve until such reserve equals 50% of paid-up capital which was consistent with previous Regulations for Companies. Such level was achieved in previous years and accordingly no further transfers are made to statutory reserve during the year ended March 31, 2021 and 2020. This reserve is not available for distribution to the shareholders of the Group.

20.3 Other reserve

In the prior years, the shareholders decided to create a voluntary reserve by transfer of ten percent of the profit 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 an amount of Saudi Riyals 26.1 million was transferred to voluntary reserve (2020: Saudi Riyals 26.6 million).

21 Non-controlling interests

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

Summarized statement of financial position of SADAFCO Poland Sp. z o.o.	**2021**	**2020**
Current assets	**58,049**	57,768
Current liabilities	**28,609**	28,861
Net current assets	**29,440**	28,907
Non-current assets	**66,318**	75,172
Non-current liabilities	**29,283**	33,919
Net non-current assets	**37,035**	41,253
Net assets	**66,475**	70,160
Equity attributable to the owners of the Group	**45,369**	49,740
Non-controlling interests	**21,106**	20,420
	66,475	70,160

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 Non-controlling interests (continued)

Summarized statement of comprehensive income of SADAFCO Poland Sp. z o.o.	**2021**	**2020**
For the year ended March 31		
Revenue	**214,891**	253,066
Expenses	**(214,648)**	(254,658)
Profit / (loss) for the year	**243**	(1,592)
Profit / (loss) for the year attributable to:		
Owners of SADAFCO	**(444)**	(2,277)
Non-controlling interests	**687**	685
	243	(1,592)
Total comprehensive income / (loss) attributable to:		
Owners of SADAFCO	**(444)**	(2,277)
Non-controlling interests	**687**	685
	243	(1,592)
Summarized cash flows		
For the year ended March 31		
Cash flows from operating activities	**11,141**	2,590
Cash flows from investing activities	**(1,576)**	(587)
Cash flows from financing activities	**172**	(1,020)
Net increase in cash and cash equivalents	**9,737**	983

22 Zakat

22.1 Charge for the year

The zakat charge for the year is based on the separate financial statements of SADAFCO.

The zakat charge for the year ended March 31, consists of the following:

	2021	**2020**
Charge for the year	**22,962**	18,583

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

	2021	**2020**
Capital	**325,000**	325,000
Adjusted reserves, provisions and others at the beginning of the year	**1,315,754**	1,159,486
Deduction for long-term assets	**(1,063,744)**	(1,013,689)
Deduction for spare parts	**(19,084)**	(18,637)
Zakat base	**557,926**	452,160
Adjusted net income	**302,190**	291,160

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 Zakat (continued)

22.2 Movements in provision during the year

	2021	2020
April 1	**16,327**	16,189
Charge for the year	**22,962**	18,583
Transfer from accruals and other liabilities	**4,612**	-
Payment during the year	**(21,679)**	(18,445)
March 31	**22,222**	16,327

22.3 Status of assessments

Zakat assessments for the years up to and including year ended March 31, 2019 have been finalized with the General Authority of Zakat and Tax (GAZT).

The Company has filed the zakat return for the year ended March 31, 2020 and received the zakat certificate valid until July 31, 2021. Assessment for the year ended March 31, 2020 has not yet been raised by the GAZT.

22.4 Income tax and deferred tax on foreign entities

Income tax and deferred tax assets and liabilities relating to foreign entities are not material to the Group's consolidated financial statements.

23 Trade and other payables

	2021	2020
Trade payables	**156,839**	207,376
Other payables	**12,132**	13,796
	168,971	221,172

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

24 Accruals and other liabilities

	2021	2020
Employee related accruals	**89,198**	85,748
Marketing related accruals	**43,183**	35,528
Rent and utility accruals	**35,527**	33,734
Value added tax payable	**14,931**	3,115
Plant and facility maintenance	**10,141**	10,244
Other accruals	**74,208**	74,683
	267,188	243,052

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

25 Related party transactions and balances

(a) Transactions with related parties were undertaken in the ordinary course of business at commercial terms and were approved by the management.

(b) Affiliates of the Group include entities which are subsidiaries including subsidiaries and associates of QPIC and KIPCO Groups.

(c) Significant related party transactions and balances for the year ended March 31 and balances arising there from are described as under:

Transaction with	Nature of transaction	Transactions with related parties 2021	Transactions with related parties 2020	Due to related parties 2021	Due to related parties 2020
Buruj Co-operative Insurance Company (affiliate) (*)	Insurance premium	**11,652**	11,199	**2,308**	2,281
PKC Advisory (affiliate)	Consultancy services	**1,016**	861	**24**	-
				2,332	2,281

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

Terms and conditions of transactions with related parties

The transactions with related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free.

There have been no guarantees provided or received for any related party receivables or payables. The Group assess impairment of receivables relating to amounts owed by related parties (2020: Saudi Riyals Nil), if any. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group

	2021	2020
Short-term and long-term employee benefits	**14,127**	15,596
Termination benefits	**567**	549
Total compensation paid to key management personnel	**14,694**	16,145

(All amounts in Saudi Riyals thousands unless otherwise stated)

26 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 the components of the net benefit expense recognised in the consolidated statement of profit or loss and consolidated statement of comprehensive income and amounts recognised in the consolidated statement of financial position:

	2021	**2020**
Discount rate	**3.1%**	2.7%
Expected rate of salary increase	**3.1%**	2.7%
Death in service	**Age wise**	Age wise
Withdrawal before normal retirement period	**Age wise**	Age wise
Net benefit expense recognised in consolidated statement of profit or loss		
Current service cost	**12,873**	12,044
Interest cost on benefit obligations	**2,810**	3,994
Net benefit expense	**15,683**	16,038

Net benefit expense recognised in the consolidated statement of comprehensive income

	2021	**2020**
Remeasurement loss arising from experience	**3,574**	2,068

Reconciliation of net liability recognised in the consolidated statement of financial position

	2021	**2020**
Net liability as at beginning of the year	**113,041**	109,576
Interest cost on benefit obligations	**2,810**	3,994
Current service cost	**12,873**	12,044
Remeasurement loss	**3,574**	2,068
Benefits paid	**(12,504)**	(14,641)
Net liability at end of the year	**119,794**	113,041

The weighted average duration of the defined benefit obligation as at March 31, 2021 is 10.45 years (March 31, 2020: 9.78 years).

The scheme is an unfunded scheme with no assets backing the liabilities under the plan. This exposes the employees to the loss of benefits or delay in payments in case of employer's business not being able to meet its obligations or any unforeseen cash flow demands.

The liabilities are based on certain assumptions which pose a risk that in case the assumptions do not materialise as assumed, the liabilities may vary. For this purpose, sensitivity of results to certain key assumptions is indicated below:

Discount rate:

	2021	**2020**
0.25% increase in discount rate	**(2,578)**	(2,059)
0.25% decrease in discount rate	**2,688**	2,140

(All amounts in Saudi Riyals thousands unless otherwise stated)

26 Employee benefit obligations (continued)

Salary escalation rate:

	2021	2020
0.25% increase in salary escalation rate	**2,681**	2,374
0.25% decrease in salary escalation rate	**(2,584)**	(2,294)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The expected maturity analysis of undiscounted employee benefits obligations is as follows:

	2021	2020
1 - 5 years	**48,067**	47,198
6 - 10 years	**43,954**	43,727
11 years and above	**67,993**	52,355

27 Financial Instruments

27.1 Financial assets

	Note	2021	2020
Non-Derivative Financial Assets			
Financial assets at amortised cost			
Trade and other receivables	17	**227,194**	215,968
Cash and cash equivalents	19	**713,290**	645,839
Security and other deposits	18	**5,031**	3,726
Total financial assets		**945,515**	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.

27.2 Financial liabilities

	2021	2020
Non-Derivative Financial Liabilities		
Financial liabilities at amortized cost		
Trade and other payables	**168,971**	221,172
Accruals and other liabilities	**249,379**	236,851
Lease liabilities	**63,840**	69,325
Dividend payable	**3,388**	3,475
Due to related parties	**2,332**	2,281
Total financial liabilities	**487,910**	533,104

(All amounts in Saudi Riyals thousands unless otherwise stated)

27 Financial Instruments (continued)

27.2 Financial liabilities (continued)

Financial liabilities at fair value through profit or loss	2021	2020
Non-controlling interest put option	**26,881**	25,363
Contingent consideration payable	**2,878**	7,053
	29,759	32,416
Total financial liabilities	**517,669**	565,520

Derivative Financial Liabilities		
Financial liabilities at fair value through profit or loss		
Foreign currency forwards	**650**	-
	650	-

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

27.3 Financial instruments carried at fair value

a) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- For contingent consideration payable expected future sales and net margins targets
- For non-controlling interest put option present value of future earnings
- Forward currency contracts present value of future earnings

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

	Contingent consideration payable	Non-controlling interest put option	Total
April 1, 2020	7,053	25,363	**32,416**
Unwinding of discount	516	3,303	**3,819**
Currency translation difference	(191)	(1,785)	**(1,976)**
Payments	(4,500)	-	**(4,500)**
March 31, 2021	**2,878**	**26,881**	**29,759**
Less: current portion	(2,878)	-	**(2,878)**
	-	**26,881**	**26,881**

(All amounts in Saudi Riyals thousands unless otherwise stated)

27 Financial Instruments (continued)

c) Valuation process

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

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

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Contingent consideration – expected cash flows are estimated based on achievement of target sales and net margins as per the terms of the 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.
- Forward currency contracts - The valuation techniques include the use of forward pricing standard models using present value calculations and mid-market valuations. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices.

d) Derivative financial instruments

During the year, the Group's Polish subsidiaries entered into multiple foreign currency forward contracts to cover the volatility in foreign currency transactions. At March 31, 2021, the Group had 38 foreign currency forward contracts in place with a total notional amount of Saudi Riyals 35.5 million and net negative carrying amount of Saudi Riyals 0.65 million. Net realized gain on matured foreign currency forwards recognized during the year ended in the consolidated statement of profit or loss amounted to Saudi Riyals 0.23 million. All these contracts have been classified as 'held for trading' for accounting purposes under current liabilities and designated as level 2 in the consolidated financial statement. The Group relies on the counterparty for the valuation of these derivatives.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity as of March 31, 2021 is as follows:

				Notional amounts by term to maturity			
	Positive fair value	**Negative fair value**	**Notional amount**	**Within 3 months**	**3 to 12 months**	**1 – 5 years**	**Over 5 years**
Foreign currency forwards	689	1,339	35,459	25,684	9,775	-	-
	689	1,339	35,459	25,684	9,775	-	-

The maturities of the foreign currency forwards are less than 6 months as at March 31, 2021.

28 Financial instruments risk management objective and policies

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

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2021.

i) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. At March 31, 2021 and 2020, the Group does not have any borrowings and accordingly no interest rate risk sensitivity is presented. Interest bearing financial assets comprises of short term murabaha deposits which are at fixed interest rates; therefore, have no exposure to cash flow interest rate risk and fair value interest rate risk.

ii) Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Group's functional currency. During the year, the Group's transactions were in Saudi Riyals, Bahraini Dinars, Polish Złoty, Kuwaiti Dinars, Jordanian Dinars, Euros and United States Dollars.

The Group's exposure to currency risk arising from currencies that are not pegged to Saudi Riyals is not material to these consolidated financial statements. 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 year were either in Saudi Riyals or US Dollars.

iii) Price risk

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Financial instruments risk management objective and policies (continued)

Credit risk

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

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

	2021	2020
Financial assets		
Trade receivables – net	**210,269**	202,948
Cash and cash equivalents	**713,290**	645,839
Security and other deposits	**5,031**	3,726
	928,590	852,513

(a) Trade receivables

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 provided that are considered doubtful of recovery.

At March 31, 2021, the Group had 5 customers that accounted for approximately 48% (March 31, 2020: 44%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 88% (2020: 82%) in KSA, 5% (2020: 7%) in GCC (other than KSA) and 7% (2020: 11%) in other countries. Due to short term nature of the trade receivable, their carrying amount is considered to be the same as their fair value.

The requirement for an impairment is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. A significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment. A default on a trade receivable is when the counterparty fails to make contractual payments within 90 days when they fall due. The Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the consolidated statement of profit or loss. The Group writes off financial assets, in a whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

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

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.

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

	2021	2020
Trade receivables – third parties - net	**210,269**	202,948
Cash at banks	**690,438**	624,192
Security and other deposits	**5,031**	3,726
	905,738	830,866

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Financial instruments risk management objective and policies (continued)

Credit risk (continued)

Cash at banks are placed with banks with sound credit ratings. Security and other deposits are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management impairment assessment, there is no provision required in respect of these balances for years presented.

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

The provision matrix takes into account historical credit loss experience (24 quarter-periods) and is adjusted for average historical recovery rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate, GDP and the unemployment rate of the countries in which it sells its goods to be the most relevant factors and, accordingly, adjusts the historical loss rates based on expected changes in these factors.

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

	Note	2021	2020
Impairment loss on trade receivables	17	**2,107**	14,220

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

March 31, 2021	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	**0.16% - 1.13%**	**203,331**	**577**
1–90 days past due	**0.15% - 1.13%**	**6,803**	**14**
90–180 days past due	**2.09% - 12.85%**	**460**	**23**
180+ days past due	**51.12% - 100.00%**	**7,404**	**7,115**
Specific provision	**100.00%**	**30,259**	**30,259**
	15.22%	**248,257**	**37,988**

March 31, 2020	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.14% - 1.38%	190,714	573
1–90 days past due	0.13% - 1.36%	11,497	15
90–180 days past due	1.59% - 14.58%	1,245	17
180+ days past due	46.87% - 100.00%	15,000	14,903
Specific provision	100.00%	20,373	20,373
	15.02%	238,829	35,881

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Financial instruments risk management objective and policies (continued)

Credit risk (continued)

(b) Cash and cash equivalents

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 and the credit quality of the cash and cash equivalents can be assessed by reference to external credit ratings.

Credit risk on bank balances is limited as cash balances are held with banks with sound credit ratings.

Liquidity risk

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

March 31, 2021	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Trade and other payables	-	**168,971**	-	-	-	**168,971**
Accruals and other liabilities	-	**249,379**	-	-	-	**249,379**
Dividend payable	**3,388**	-	-	-	-	**3,388**
Due to related parties	**2,332**	-	-	-	-	**2,332**
Non-controlling interest put option and other liabilities	-	**2,878**	-	**38,249**	-	**41,127**
Lease liabilities	-	**1,505**	**10,469**	**22,705**	**51,415**	**86,094**
	5,720	**422,733**	**10,469**	**60,954**	**51,415**	**551,291**

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Financial instruments risk management objective and policies (continued)

Liquidity risk (continued)

March 31, 2020	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Trade and other payables	-	221,172	-	-	-	221,172
Accruals and other liabilities	-	236,851	-	-	-	236,851
Dividend payable	3,475	-	-	-	-	3,475
Due to related parties	2,281	-	-	-	-	2,281
Non-controlling interest put option and other liabilities	-	-	3,086	40,790	-	43,876
Lease liabilities	-	2,025	12,695	28,862	53,662	97,244
	5,756	460,048	15,781	69,652	53,662	604,899

29 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 amounting to Saudi Riyals 80 million.

On January 4, 2021, the Board of Directors approved payment of interim dividend of Saudi Riyals 3 per share amounting to Saudi Riyals 96 million). Total dividend distributed for the year amounted to Saudi Riyal 176 million (SAR 5.5 per share).

30 Contingencies, commitments and other information

30.1 Contingencies

- As at March 31, 2021, the Group has a contingent liability of Saudi Riyals 4.9 million (2020: Saudi Riyals 3.28 million) in respect of guarantees issued by banks for various business needs.

30.2 Commitments and other information

- At March 31, 2021, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 109.9 million (2020: Saudi Riyals 72.2 million).

- At March 31, 2021, the Group has outstanding letters of credit issued on its behalf in the normal course of business amounting to Saudi Riyals 1.8 million (2020: Saudi Riyals Nil).

- During the year, the Group had signed a non-binding agreement with an external party with the intention to acquire a controlling stake in an entity which did not materialise.