

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2018
AND REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2018

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Report on review of interim financial information

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudia Dairy & Foodstuff Company (the "Company" or "SADAFCO"), together with its subsidiaries (collectively referred to as the "Group") as of June 30, 2018 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

July 19, 2018



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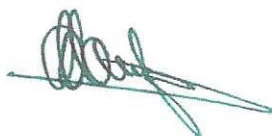
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended June 30,	
		2018 (Unaudited)	2017 (Unaudited)
Revenue – net		410,171	452,830
Cost of revenue		(276,649)	(277,647)
Gross profit		133,522	175,183
Selling and distribution expenses		(57,969)	(69,198)
General and administrative expenses		(25,197)	(25,009)
Other operating income		820	(808)
Impairment loss on financial assets		(375)	(238)
Operating profit		50,801	79,930
Finance income		2,999	1,654
Profit before zakat		53,800	81,584
Zakat		(3,772)	(4,348)
Profit for the period		50,028	77,236
Profit is attributable to:			
Owners of SADAFCO		50,200	77,072
Non-controlling interests		(172)	164
		50,028	77,236
Earnings per share:			
Basic and dilutive earnings per share (Saudi Riyals) attributable to owners of SADAFCO	6	1.54	2.37

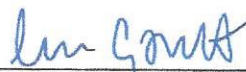
The notes from 1 to 13 form part of this condensed consolidated interim financial information.



Mussad Abdullah Al Nassar
Member Board of Directors



Waltherus Cornelis Petrus Matthijs
Chief Executive Officer




Ian David Gowlett
Chief Financial Officer

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

	Three-month period ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Profit for the period	50,028	77,236
Other comprehensive income / (loss)		
Items that may be reclassified to profit or loss		
Exchange difference on translation of foreign operations	814	(170)
Other comprehensive income / (loss) for the period	814	(170)
Total comprehensive income for the period	50,842	77,066
Total comprehensive income for the period is attributable to:		
Owners of SADAFCO	50,989	76,955
Non-controlling interests	(147)	111
	50,842	77,066

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Chief Executive Officer



Ian David Gowlett
Chief Financial Officer

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

	Note	June 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	7	695,094	663,087
Other non-current assets		243	243
		<u>695,337</u>	<u>663,330</u>
Current assets			
Inventories		317,330	347,901
Trade and other receivables		174,835	156,809
Deposits, prepayments and other assets		35,029	36,038
Cash and cash equivalents		612,384	559,099
		<u>1,139,578</u>	<u>1,099,847</u>
Total assets		<u>1,834,915</u>	<u>1,763,177</u>
Equity and liabilities			
Equity			
Issued share and paid up capital		325,000	325,000
Statutory reserve		162,500	162,500
Other reserves		212,943	207,923
Foreign currency translation reserves		(526)	(1,315)
Retained earnings		672,222	627,042
		<u>1,372,139</u>	<u>1,321,150</u>
Equity attributable to owners of SADAFCO		<u>1,372,139</u>	<u>1,321,150</u>
Non-controlling interests		75	222
Total equity		<u>1,372,214</u>	<u>1,321,372</u>
Liabilities			
Non-current liability			
Employee benefit obligations		111,062	112,672
Current liabilities			
Trade and other payables		162,805	144,562
Accruals and other liabilities		163,992	163,805
Due to a related party	9	547	243
Accrued zakat	8	24,295	20,523
		<u>351,639</u>	<u>329,133</u>
Total liabilities		<u>462,701</u>	<u>441,805</u>
Total equity and liabilities		<u>1,834,915</u>	<u>1,763,177</u>

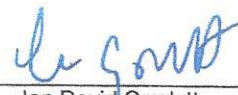
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SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of changes in equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Attributable to owners of SADAFCO					
	Issued share and paid up capital	Statutory reserve	Other reserves	Foreign currency translation reserves	Retained earnings	Total equity
Balance at April 1, 2017 (audited)	325,000	162,500	181,835	(945)	592,710	1,261,100
Profit for the period	-	-	-	-	77,072	77,072
Other comprehensive loss	-	-	-	(117)	-	(117)
Total comprehensive income for the period	-	-	-	(117)	77,072	76,955
Dividend declared	-	-	-	-	(130,000)	(130,000)
Transfer to other reserves	-	-	7,707	-	(7,707)	-
Balance at June 30, 2017 (unaudited)	325,000	162,500	189,542	(1,062)	532,075	1,208,055
Balance at April 1, 2018 (audited)	325,000	162,500	207,923	(1,315)	627,042	1,321,150
Profit for the period	-	-	-	-	50,200	50,200
Other comprehensive income	-	-	-	789	-	789
Total comprehensive income for the period	-	-	-	789	50,200	50,989
Transfer to other reserves	-	-	5,020	-	(5,020)	-
Balance at June 30, 2018 (unaudited)	325,000	162,500	212,943	(526)	672,222	1,372,139
						75
						1,372,214

The notes from 1 to 13 form part of this condensed consolidated interim financial information.



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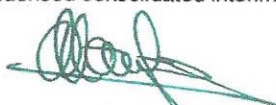
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended June 30,	
		2018 (Unaudited)	2017 (Unaudited)
Cash flow from operating activities			
Profit before zakat		53,800	81,584
<u>Adjustments for:</u>			
Depreciation on property, plant and equipment		16,511	16,139
Gain on disposal of property and equipment		(519)	(101)
Provision for doubtful accounts		375	238
Provision for employee benefit obligations		3,775	3,012
		<u>73,942</u>	<u>100,872</u>
<u>Working capital</u>			
Inventories		30,571	(18,219)
Trade and other receivables		(18,401)	(19,070)
Deposits, prepayments and other assets		1,009	4,641
Trade and other payables		18,243	19,958
Due to a related party		304	393
Accruals and other liabilities		187	32,229
		<u>105,855</u>	<u>120,804</u>
Employee benefit obligations paid		<u>(5,385)</u>	<u>(4,083)</u>
Net cash inflow from operating activities		<u>100,470</u>	<u>116,721</u>
Cash flow from investing activities			
Sale proceeds from disposal of property and equipment		534	104
Purchases of property, plant and equipment	7	<u>(48,533)</u>	<u>(24,825)</u>
Net cash outflow from investing activities		<u>(47,999)</u>	<u>(24,721)</u>
Cash flow from financing activities			
Dividend paid to owners of SADAFCO	12	-	(130,000)
Dividends paid to non-controlling interests in subsidiaries		-	(701)
Cash outflow from financing activities		<u>-</u>	<u>(130,701)</u>
Net change in cash and cash equivalents		52,471	(38,701)
Effects of exchange rate fluctuations on cash and cash equivalents		814	(117)
Cash and cash equivalents at beginning of the period		<u>559,099</u>	<u>543,914</u>
Cash and cash equivalents at end of the period		<u>612,384</u>	<u>505,096</u>

The notes from 1 to 13 form part of this condensed consolidated interim financial information.



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Member Board of Directors



Waltherus Cornelis Petrus Matthijs
Chief Executive Officer



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Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2018****(All amounts in Saudi Riyals thousands unless otherwise stated)**

1. General Information

Saudia Dairy & Foodstuff Company (the "Company" or "SADAFCO"), together with its subsidiaries (collectively referred to as the "Group") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration number 4030009917 issued in Jeddah dated Rabi Al-Akhar 21,1396H (April 22,1976).

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

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

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

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

2.2 Accounting convention / Basis of measurement

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

2.3 New and amended standards adopted by the Group

The Group has adopted IFRS 15 "Revenue from contracts with customers" (see A below) and IFRS 9 "Financial Instruments" (see B below) from April 1, 2018.

(a) IFRS 15 - Revenue from contracts with customers

The Group has adopted IFRS 15 using the modified retrospective method with the effect of initially applying this standard recognized at the date of initial application (i.e. April 1, 2018). Accordingly, information stated for 2017 has not been restated (i.e. it is presented, as previously reported, under IAS 18). The application of IFRS 15 does not have any impact on the condensed consolidated interim financial information of the Group.

(b) IFRS 9 - Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has adopted IFRS 9 with the effect of initially applying this standard recognized at the date of initial application (i.e. April 1, 2018). The Group has taken an exemption not to restate the comparative information for prior periods with respect to the classification and measurement (including impairment) requirements. The adoption of IFRS 9 did not have any significant impact on the measurement and recognition of the financial instruments on the condensed consolidated interim financial information except for the change in the classification of the financial instruments as listed below.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2018****(All amounts in Saudi Riyals thousands unless otherwise stated)****2.3 New and amended standards adopted by the Group (continued)**

The following table shows changes in classification and measurement in accordance with the original IAS 39 and the new IFRS 9 for the Group's financial assets and financial liabilities as of 1 April 2018:

	Original classification	New Classification	Original Measurement	New Measurement	Original carrying amount	New carrying amount
	Under IAS 39	Under IFRS 9	Under IAS 39	Under IFRS 9	Under IAS 39	Under IFRS 9
Financial assets						
Trade and other receivables	Loans and receivables	Financial assets at amortized cost	Amortized cost	Amortized cost	146,669	146,669
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	Amortized cost	Amortized cost	559,099	559,099
Financial liabilities						
Trade and other payables	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	Amortized cost	Amortized cost	144,562	144,562
Accruals and other liabilities	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	Amortized cost	Amortized cost	163,805	163,805
Due to a related party	Other financial liabilities at amortized cost	Financial liabilities at amortized cost	Amortized cost	Amortized cost	243	243

Impact of the new impairment model

IFRS 9 replaces the 'incurred loss' model with a forward-looking 'expected credit loss' (ECL) model. Cash is placed with banks with sound credit ratings. Cash at bank, net advances and other receivables are considered to have low credit risk therefore 12 months expected loss model was used for impairment assessment. Based on management's impairment assessment the provision required in respect of these balances for all the period presented is not material.

Impairment losses related to trade receivables are presented separately in the condensed consolidated interim statement of profit or loss. As a result, the Group reclassified impairment losses amounting to Saudi Riyals 0.02 million, recognised under IAS 39, from 'Selling and Distribution Expense' to impairment loss on financial assets in the condensed consolidated statement of profit or loss for the three months ended 30 June 2017. The application of IFRS 9's impairment requirements as at April 1, 2018 results in no additional impairment allowance.

The accounting policies relating to revenue from contracts with customers and classification and measurement of financial assets and financial liabilities, impairment of financial assets are disclosed in Note 3.

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

The following are the new standards and interpretation, which are either not yet effective and early adopted up to the date of issuance of the Group condensed consolidated interim financial information or applicable in preparing the condensed consolidated interim financial information.

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
Annual reporting periods beginning on or after January 1, 2019, early adoption is permitted	IFRS 16 – Leases	IFRS 16 proposes a lease classification that would be based on the nature of asset that was the subject of the lease. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.
Annual reporting periods beginning on or after January 1, 2021, early adoption is permitted	IFRS 17 – Insurance contracts	IFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2018****(All amounts in Saudi Riyals thousands unless otherwise stated)**

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
Annual reporting periods beginning on or after January 1, 2021, early adoption is permitted	IFRIC 22 – Foreign currency transactions and advance consideration	IFRIC 22 addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice
Annual reporting periods beginning on or after January 1, 2019, early adoption is permitted	IFRIC 23 – Uncertainty over income tax treatments	IFRIC 23 clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation.
Annual reporting periods beginning on or after January 1, 2019, early adoption is permitted	Amendments to IFRS 9, "Financial instrument"	Prepayment features with negative compensation and treatment of de-recognition of financial liability measured at amortised cost.
Annual reporting periods beginning on or after January 1, 2019, early adoption is permitted	Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement'	These amendments require an entity to <ul style="list-style-type: none"> • use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and • recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

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

2.5 Critical accounting estimates and judgements

In preparing this condensed consolidated interim financial information, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the annual financial statements for the year ended March 31, 2018, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 3.

3. Significant accounting policies

The accounting policies adopted by the Group for the preparation of the condensed consolidated interim financial information are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended March 31, 2018, except for accounting policies related to the new standards adopted by the Group effective as of April 1, 2018 (see Note 2.3).

3.1 Financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2018

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. Significant accounting policies (continued)

(i) Financial assets

Classification

The Group classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Group for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

(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 FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL 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 market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

- Debt instruments at amortised cost
- Equity instruments at FVTPL

Debt instruments

A 'debt instrument' is measured at the 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.

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 the profit or loss. The losses arising from impairment are recognised in the profit or loss. This category generally applies to trade and other receivables, bank balances, security deposits, advances to employees.

Equity investments

All equity investments in scope of IFRS 9 are measured at fair value. Equity instruments which are held for trading are classified as at FVTPL. For all other equity instruments, the Group decides to classify the same either as at FVTOCI or FVTPL. The Group makes such election on an instrument-by-instrument basis. The classification is made on initial recognition and is irrevocable. If the Group decides to classify an equity instrument as at FVTOCI, all fair value changes on the instrument, excluding dividends, are recognized in the other comprehensive income. There is no recycling of the amounts from other comprehensive income to profit or loss, even on sale of investment. However, the Group may transfer the cumulative gain or loss within equity. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Equity instruments included within the FVTPL category are measured at fair value with all changes recognized in the profit or loss.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2018****(All amounts in Saudi Riyals thousands unless otherwise stated)**

3. Significant accounting policies (continued)**Derecognition**

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of 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.

(b) Impairment of financial assets

In accordance with IFRS 9, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets at amortised cost e.g., deposits, trade and other receivables and bank balance. For recognition of impairment loss on financial assets and risk exposure, the Group determines that whether there has been a significant increase in the credit risk since initial recognition.

The Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables resulting from transactions within the scope of IFRS 9, if they do not contain a significant financing component. The application of simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument.

ECL impairment loss allowance (or reversal) recognized during the period is recognized as income/ expense in the statement of profit and loss.

(ii) Financial liabilities

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

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 classifies non-derivative financial liabilities into the 'financial liabilities at amortised cost'. 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 method. Non-derivative financial liabilities of the Group comprises trade and other payables, accruals and other liabilities and due to a related party.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2018****(All amounts in Saudi Riyals thousands unless otherwise stated)**

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

3.2 Revenue

The Group recognizes revenue to depict the transfer of promised goods to customers. The Group recognizes revenue from contracts with customers based on a five step model as set out in IFRS 15:

Step 1. Identify the contract with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

1. The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
2. The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
3. The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations, where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of consideration earned by the performance. Where the amount billed to the customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment.

Revenue is recognized in the condensed consolidated interim statement of profit or loss to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

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.

Sale of goods

Revenue from sale of goods is recognised at the point when the Group sells a product to the customer. Payment of the transaction price is due as per the credit term when the customer purchases the goods.

Revenue is measured at the fair value of the consideration received or receivable net of discounts and taxes. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, can be measured reliably.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2018****(All amounts in Saudi Riyals thousands unless otherwise stated)****4. Segment information****4.1 Operating segment**

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

June 30, 2018	Drinks	Non-drinks	Unallocated	Total
Revenue – net	247,909	162,262	-	410,171
Profit before zakat	36,385	17,415	-	53,800
Depreciation	12,362	4,149	-	16,511
Property, plant and equipment	520,428	174,666	-	695,094
Current assets	-	-	1,139,578	1,139,578
Other non-current assets	-	-	243	243
Total assets	520,428	174,666	1,139,821	1,834,915
Current liabilities			351,639	351,639
Long-term liabilities			111,062	111,062
Total liabilities			462,701	462,701
June 30, 2017	Drinks	Non-drinks	Unallocated	Total
Revenue – net	285,146	167,684	-	452,830
Profit before zakat	60,001	21,583	-	81,584
Depreciation(*)	11,809	4,330	-	16,139
Property, plant and equipment(*)	443,903	162,784	-	606,687
Current assets	-	-	1,037,373	1,037,373
Other non-current assets	-	-	243	243
Total assets	443,903	162,784	1,037,616	1,644,303
Current liabilities			328,452	328,452
Long-term liabilities			106,764	106,764
Total liabilities			435,216	435,216

(*) Certain reclassifications have been made within segments to conform to the presentation for the period ended June 30, 2018.

The management has categorized its geographical operations as follows:

	Three-month period ended June 30,	
	2018	2017
	(Unaudited)	(Unaudited)
Geographic information		
Revenue from external customers		
Kingdom of Saudi Arabia	384,318	423,633
Gulf Cooperation Council (GCC countries)	14,659	22,437
Others	11,194	6,760
Total	410,171	452,830
Non-current operating assets		
Kingdom of Saudi Arabia	684,865	595,846
Gulf Cooperation Council (GCC countries)	7,883	9,287
Others	2,589	1,797
Total	695,337	606,930

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2018****(All amounts in Saudi Riyals thousands unless otherwise stated)****4. Segment information (continued)****4.2 Adjustments**

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

4.3 Reconciliation of profit

	Three-month period ended June 30,	
	2018	2017
	(Unaudited)	(Unaudited)
Profit before zakat	53,800	81,584
Zakat	(3,772)	(4,348)
Profit after zakat	50,028	77,236

5. Group Information

The condensed consolidated interim financial information of the Group includes:

Name	Principal activities	Country of incorporation	% equity interest	
			June 30, 2018	March 31, 2018
SADAFCO Bahrain Company SPC	Foodstuff and dairy products	Bahrain	100%	100%
SADAFCO Jordan Foodstuff Company LLC	Foodstuff and dairy products	Jordan	100%	100%
SADAFCO Qatar Company	Foodstuff and dairy products	Qatar	75%	75%
SADAFCO Kuwait Foodstuff Co. W.L.L (*)	Foodstuff and dairy products	Kuwait	49%	49%
SADAFCO Poland sp. Z.o.o.	Holding company	Poland	100%	-

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

On October 10, 2017, the Group signed a non-binding agreement with an intention to acquire a controlling stake in Mlekoma sp. Z.o.o. and its subsidiary Foodexo sp. Z.o.o, & associate Mlekoma Dairy Z.o.o (Mlekoma group) incorporated in Poland. After completion of legal and financial due diligence, the share purchase agreement was signed on July 2, 2018 to enable SADAFCO (through SADAFCO Poland, a newly formed 100% subsidiary) to acquire an initial stake of 76% in Mlekoma group for consideration of Polish Zloty 120 million, equivalent to approximately Saudi Riyals 120 million.

The Group considers this transaction as a strategic opportunity to invest in vertical (upward) integration, being a source of the milk powder, one of the key raw materials.

6. Earnings per share

The basic and dilutive EPS is computed as follows:

	Three-month period ended June 30,	
	2018	2017
	(Unaudited)	(Unaudited)
Profit attributable to owners of SADAFCO	50,200	77,072
Weighted average number of ordinary shares outstanding (in thousands)	32,500	32,500
Basic and diluted earnings per share (Saudi Riyals)	1.54	2.37

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2018****(All amounts in Saudi Riyals thousands unless otherwise stated)****7. Property, plant and equipment**

- (a) The ownership interest of the Group in certain freehold land held in Madinah amounting to Saudi Riyals 1.54 million (2017: Saudi Riyals 1.54 million) is through a shareholder of the Group. The Group holds legal documents confirming its beneficial interest.
- (b) The additions during the period amounting to Saudi Riyals 48.53 million (2017: Saudi Riyals 24.82 million), mainly represent addition to capital work-in-progress for under construction Jeddah central warehouse and plant and machinery in the factories.

8. Zakat matters

Zakat assessments for the years up to and including 2007 have been finalised with the General Authority for Zakat and Tax (GAZT). The GAZT has raised assessments for the years ended 31 March 2005 through 31 March 2007. Based on Higher Appeal Committee (HAC) decision, the additional zakat liability from GAZT's viewpoint is Saudi Riyals 4.4 million approximately. After correction of material errors, the additional liability will be in the region of Saudi Riyals 3.8 million approximately and final assessment from the GAZT is awaited.

The GAZT raised final assessments for the years ended 31 March 2008 through 31 March 2011. Revised additional zakat liability based on Preliminary Appeal Committee (PAC) decision is Saudi Riyals 4 million. SADAFCO has lodged a bank guarantee with the GAZT for Saudi Riyals 5.3 million.

The HAC rendered its decision on SADAFCO's appeal against PAC's decision. Based on HAC's decision, the additional assessed liability of Saudi Riyals 4.0 million is likely to reduce further by Saudi Riyals 0.4 million. The management has filed an appeal against the HAC's decision to Board of Grievance (BOG). The GAZT has not yet raised assessments for the years 2012 through 2017.

9. Related party matters**9.1 Transactions and balances with related parties**

- (a) Transactions with related parties were undertaken in the ordinary course of business at commercial terms and were approved by the management.
- (b) Significant related party transactions and balances for the period ended June 30 and balances arising there from are described as under:

Transactions with	Nature of transaction	Sales to / (purchase from) a related party		Due to a related party	
		June 30, 2018	June 30, 2017	June 30, 2018	March 31, 2018
Buruj Cooperative insurance company (affiliate)	Insurance premium	2,614	(3,423)	547	243

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

9.2 Compensation of key management personnel of the Group

Compensation to Group's key management personnel includes salaries, and contributions to post-employment defined benefit plan. The Group has recognized an expense of Saudi Riyals 3.6 million for the three-month period ended June 30, 2018 (2017: Saudi Riyals 3.7 million).

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2018****(All amounts in Saudi Riyals thousands unless otherwise stated)****10. Financial Instruments****10.1 Financial assets**

	June 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Financial assets at amortised cost		
Trade and other receivables – net	163,998	146,669
Cash and cash equivalents	612,384	559,099
Total financial assets	776,382	705,768

Receivables

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

10.2 Financial liabilities

	June 30, 2018 (Unaudited)	March 31, 2018 (Audited)
Financial liabilities at amortized cost		
Trade and other payables	162,805	144,562
Accruals and other liabilities	163,992	163,805
Due to a related party	547	243
Total financial liabilities	327,344	308,610

11. Commitments and contingencies

- (a) As at June 30, 2018, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 79.45 million (March 31, 2018: Saudi Riyals 120.60 million).
- (b) As at June 30, 2018, the Group has a contingent liability of Saudi Riyals 10.02 million (March 31, 2018: Saudi Riyals 10.02 million) in respect of guarantees issued by the Company's bankers to the GAZT (Note 8).

12. Dividends

In the Extraordinary General Assembly meeting of the Group held on July 3, 2018, the shareholders authorized dividends of Saudi Riyals 2 per share amounting to Saudi Riyals 65 million for year ended March 31, 2018.

13. Approval and authorization for issue

On July 19, 2018, these consolidated condensed interim financial statements were authorized for issue by the Board of Director.