

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION FOR THE THREE-MONTH AND
NINE-MONTH PERIODS ENDED DECEMBER 31, 2020 AND
REPORT ON REVIEW OF CONDENSED CONSOLIDATED
INTERIM FINANCIAL INFORMATION

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED DECEMBER 31, 2020

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Report on review of condensed consolidated interim financial information

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudia Dairy & Foodstuff Company (the "Company" or "SADAFCO"), together with its subsidiaries (collectively referred to as the "Group") as of December 31, 2020 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-month and nine-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the nine-month period 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

January 20, 2021



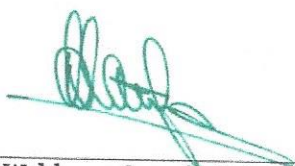
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Three-month period ended December 31,		Nine-month period ended December 31,	
		2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Revenue - net	4	482,024	488,468	1,583,414	1,494,778
Cost of revenue		(321,226)	(312,350)	(1,062,398)	(985,411)
Gross profit		160,798	176,118	521,016	509,367
Selling and distribution expenses		(69,853)	(78,612)	(221,055)	(231,357)
General and administrative expenses		(26,965)	(24,922)	(86,657)	(77,074)
Other operating income		4,741	291	7,554	1,850
Impairment loss on financial assets		(562)	(375)	(1,602)	(1,660)
Operating profit		68,159	72,500	219,256	201,126
Finance income		1,683	2,711	5,152	9,053
Finance costs		(1,417)	(2,353)	(5,251)	(5,276)
Profit before zakat		68,425	72,858	219,157	204,903
Zakat		(4,252)	(4,795)	(14,190)	(13,806)
Profit for the period		64,173	68,063	204,967	191,097
Profit is attributable to:					
Owners of SADAFCO		63,767	68,323	204,474	191,765
Non-controlling interests		406	(260)	493	(668)
		64,173	68,063	204,967	191,097
Earnings per share:					
Basic and dilutive earnings per share (Saudi Riyals) attributable to owners of SADAFCO	6	1.99	2.14	6.39	5.99

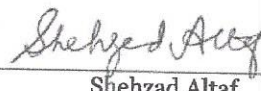
The notes from 1 to 16 form part of this condensed consolidated interim financial information.



Mussad Abdullah Al Nassar
Member Board of Directors



Waltherus Cornelis Petrus
Matthijs
Chief Executive Officer



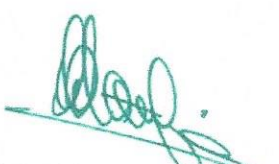
Shehzad Altaf
Chief Financial Officer

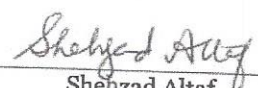
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of comprehensive income
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended December 31,		Nine-month period ended December 31,	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Profit for the period	64,173	68,063	204,967	191,097
Other comprehensive (loss) / income				
<i>Items that may be reclassified to profit or loss</i>				
Exchange difference on translation of foreign operations	(43)	29	(211)	126
<i>Items that will not be reclassified to profit or loss</i>				
Re-measurement gain on employee benefit obligation	-	-	-	-
Other comprehensive (loss) / income for the period	(43)	29	(211)	126
Total comprehensive income for the period	64,130	68,092	204,756	191,223
Total comprehensive income for the period is attributable to:				
Owners of SADAFCO	63,680	67,770	204,265	191,307
Non-controlling interests	450	322	491	(84)
	64,130	68,092	204,756	191,223

The notes from 1 to 16 form part of this condensed consolidated interim financial information.


 Mussad Abdullah Al Nassar
 Member Board of Directors



 Waltherus Cornelis Petrus Matthijs
 Chief Executive Officer



 Shehzad Altaf
 Chief Financial Officer

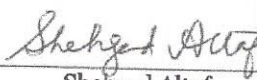
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of financial position
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	December 31, 2020 (Unaudited)	March 31, 2020 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	7	833,069	797,525
Right-of-use assets		65,878	72,164
Intangible assets		24,112	26,133
Other non-current assets		5,877	5,646
		<u>928,936</u>	<u>901,468</u>
Current assets			
Inventories		392,757	357,627
Trade and other receivables		194,008	215,968
Deposits, prepayments and other assets		30,842	53,567
Cash and cash equivalents		690,830	645,839
		<u>1,308,437</u>	<u>1,273,001</u>
Total assets		<u>2,237,373</u>	<u>2,174,469</u>
Liabilities			
Non-current liabilities			
Employee benefit obligations		118,573	113,041
Lease liabilities		55,457	57,174
Non-controlling interest put option and other liabilities		27,958	29,330
		<u>201,988</u>	<u>199,545</u>
Current liabilities			
Trade and other payables		130,301	221,172
Accruals and other liabilities		273,405	243,052
Current portion of lease liabilities		10,382	12,151
Zakat payable	8	13,465	16,327
Dividends payable		3,389	3,475
Due to related parties	9	1,724	2,281
		<u>432,666</u>	<u>498,458</u>
Total liabilities		<u>634,654</u>	<u>698,003</u>
Equity			
Issued share and paid up capital		325,000	325,000
Statutory reserve		162,500	162,500
Other reserve	13	276,835	256,388
Treasury shares		(51,559)	(51,559)
Foreign currency translation reserves		(2,544)	(2,335)
Retained earnings		870,861	766,833
Equity attributable to owners of SADAFCO		<u>1,581,093</u>	<u>1,456,827</u>
Non-controlling interests		21,626	19,639
Net equity		<u>1,602,719</u>	<u>1,476,466</u>
Total liabilities and equity		<u>2,237,373</u>	<u>2,174,469</u>

The notes from 1 to 16 form part of this condensed consolidated interim financial information.


 Mussad Abdullah Al Nassar
 Member Board of Directors


 Waltherus Cornelis Petrus Matthijs
 Chief Executive Officer


 Shehzad Altaf
 Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCCO)
(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 SADAFCCO						
	Issued share and paid up capital	Statutory reserve	Other reserve	Treasury shares	Foreign currency translation reserves	Retained earnings	Non-controlling interests
Balance at April 1, 2019 (audited)	325,000	162,500	229,762	(51,559)	(525)	673,267	1,338,445
Profit / (loss) for the period	-	-	-	-	-	191,765	19,414
Other comprehensive (loss) / income	-	-	-	-	(458)	-	(668)
Total comprehensive (loss) / income for the period	-	-	-	-	(458)	-	584
Dividends (Note 14)	-	-	-	-	(458)	191,765	(84)
Transfer to other reserve (Note 13)	-	-	19,177	-	-	(144,000)	-
Balance at December 31, 2019 (unaudited)	325,000	162,500	248,939	(51,559)	(983)	701,855	1,385,752
Balance at April 1, 2020 (audited)	325,000	162,500	256,388	(51,559)	(2,335)	766,833	1,436,827
Profit for the period	-	-	-	-	-	204,474	19,639
Other comprehensive loss	-	-	-	-	(209)	-	493
Total comprehensive (loss) / income for the period	-	-	-	-	(209)	204,474	(2)
Other changes in non-controlling interest	-	-	-	-	-	204,474	491
Dividends (Note 14)	-	-	-	-	-	-	1,496
Transfer to other reserve (Note 13)	-	-	20,447	-	-	(79,999)	-
Balance at December 31, 2020 (unaudited)	325,000	162,500	276,835	(51,559)	(2,544)	870,861	1,581,093
							21,626
							1,602,719

The notes from 1 to 16 form part of this condensed consolidated interim financial information.

Musadd Abdullah Al Nassar
Member Board of Directors


Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

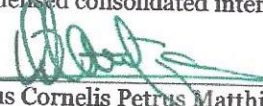
Shehzad Altaf
Chief Financial Officer

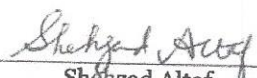
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Nine-month period ended December 31,	
	2020	2019
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Profit before zakat	219,157	204,903
<u>Adjustments for:</u>		
Depreciation	75,905	72,799
Amortization of intangible assets	2,021	2,072
Gain on disposal of property, plant and equipment	(1,099)	(617)
Impairment loss on financial assets	1,602	5,259
Finance costs on lease liabilities	2,075	2,434
Finance costs on non-controlling interest put option and contingent consideration payable	3,111	2,842
Provision for employee benefit obligations	13,955	13,314
Provision for slow moving and obsolete inventories	-	1,500
Others	(231)	(406)
	316,496	304,100
<u>Working capital</u>		
Inventories	(35,130)	(76,252)
Trade and other receivables	20,358	(20,964)
Deposits, prepayments and other assets	22,725	(13,200)
Trade and other payables	(90,871)	14,354
Due to related parties	(557)	417
Accruals and other liabilities	30,370	45,625
	263,391	254,080
Employee benefit obligations paid	(8,423)	(11,893)
Zakat paid	(17,052)	(18,141)
Net cash inflow from operating activities	237,916	224,046
Cash flow from investing activities		
Sale proceeds from disposal of property, plant and equipment	1,722	1,087
Purchases of property, plant and equipment	(100,429)	(67,624)
Acquisition of other non-current assets	-	(98)
Net cash outflow from investing activities	(98,707)	(66,635)
Cash flow from financing activities		
Dividends paid to owners of SADAFCO	(80,085)	(141,566)
Principal elements of lease payments	(10,918)	(14,318)
Payment for contingent consideration payable	(4,500)	-
Change in non-controlling interest	1,496	-
Net cash outflow from financing activities	(94,007)	(155,884)
Net change in cash and cash equivalents	45,202	1,527
Effects of exchange rate fluctuations on cash and cash equivalents	(211)	126
Cash and cash equivalents at the beginning of period	645,839	582,055
Cash and cash equivalents at the end of period	690,830	583,708

The notes from 1 to 16 form part of this condensed consolidated interim financial information.


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)

Notes to the condensed consolidated interim financial information for the three-month and nine-month periods ended December 31, 2020 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General Information

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

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

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

2. Basis of preparation

2.1 Statement of compliance

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

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

2.2 Accounting convention / Basis of measurement

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

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

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

2.3 New and amended standards adopted by the Group

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

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and nine-month periods ended December 31, 2020 (Unaudited)****(All amounts in Saudi Riyals thousands unless otherwise stated)**

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

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

2.5 Critical accounting estimates and judgements

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

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

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

3. Significant accounting policies

The accounting policies adopted by the Group for the preparation of the condensed consolidated interim financial information are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended March 31, 2020. Accounting policy related to derivative financial instruments entered into during the nine-month period ended December 31, 2020 is as follows:

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 condensed consolidated interim 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 condensed consolidated interim statement of profit or loss and is included in "Other operating income".

4. Segment information**4.1 Operating segment**

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

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information for the three-month and nine-month periods ended December 31, 2020 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. Segment information (continued)

4.1 Operating segment (continued)

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SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information for the three-month and nine-month periods ended December 31, 2020 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	Three-month period ended				Nine-month period ended			
	Drinks	Non-Drinks	Un-allocated	Total	Drinks	Non-Drinks	Un-allocated	Total
December 31, 2019 (Unaudited)								
Segment profit or loss								
Revenue - net	333,984	210,685	-	544,669	936,742	674,678	-	1,611,420
Inter-segment revenue - net	(8,330)	(47,871)	-	(56,201)	(22,146)	(94,496)	-	(116,642)
Revenue from external customers	325,654	162,814	-	488,468	914,596	580,182	-	1,494,778
Profit before zakat	50,421	22,437	-	72,858	137,710	67,193	-	204,903
Depreciation and amortization	18,723	8,058	-	26,781	54,441	20,430	-	74,871
Finance income	-	152	2,559	2,711	-	152	8,901	9,053
Finance costs	1,015	1,338	-	2,353	2,050	3,226	-	5,276
December 31, 2019								
	Drinks	Non-Drinks	Un-allocated	Total				
Segment assets								
Property, plant and equipment					581,077	212,363	-	793,440
Right-of-use assets					61,597	14,076	-	75,673
Intangible assets					-	26,739	-	26,739
Other non-current assets					-	5,067	243	5,310
Current assets					-	63,645	1,131,982	1,195,627
Total assets					642,674	321,890	1,132,225	2,096,789
Segment liabilities								
Current liabilities					10,099	42,977	437,516	490,592
Non-controlling interest put option					-	26,839	-	26,839
Non-current portion of contingent consideration payable					-	3,936	-	3,936
Lease liabilities					48,722	10,621	-	59,343
Employee benefit obligations					-	230	110,767	110,997
Total liabilities					58,821	84,603	548,283	691,707

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and nine-month periods ended December 31, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	Drinks	Non-Drinks	Un-allocated	Total
Segment assets as of March 31, 2020 (Audited)				
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 as of March 31, 2020 (Audited)				
Current liabilities	9,260	34,885	454,313	498,458
Non-controlling interest put option and other liabilities	-	29,330	-	29,330
Lease liabilities	47,018	10,156	-	57,174
Employee benefit obligations	-	230	112,811	113,041
Total liabilities	56,278	74,601	567,124	698,003

The management has categorized its geographical operations as follows:

	Three-month period ended December 31,		Nine-month period ended December 31,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Geographic information				
Revenue from external customers				
Kingdom of Saudi Arabia	411,139	435,081	1,373,975	1,298,050
Poland	42,138	27,105	117,159	117,733
Gulf Cooperation Council (GCC) countries	15,247	14,274	48,629	43,636
Other	13,500	12,008	43,651	35,359
Total	482,024	488,468	1,583,414	1,494,778

	December 31, 2020	March 31, 2020
	(Unaudited)	(Audited)
Non-current operating assets		
Kingdom of Saudi Arabia	835,714	802,212
Poland	71,871	75,171
Gulf Cooperation Council (GCC) countries	18,203	18,848
Others	3,148	5,237
Total	928,936	901,468

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and nine-month periods ended December 31, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. Segment information (continued)**4.2 Adjustments**

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

4.3 Reconciliation of profit

	Three-month period ended December 31,		Nine-month period ended December 31,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit before zakat	68,425	72,858	219,157	204,903
Zakat	(4,252)	(4,795)	(14,190)	(13,806)
Profit for the period	64,173	68,063	204,967	191,097

5. Group information

The condensed consolidated interim financial information of the Group includes:

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

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

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

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(All amounts in Saudi Riyals thousands unless otherwise stated)

6. Earnings per share (EPS)

The basic and dilutive EPS is computed as follows:

	Three-month period ended December 31,		Nine-month period ended December 31,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to owners of SADAFCO	63,767	68,323	204,474	191,765
Weighted average number of ordinary shares outstanding (in thousands)	32,000	32,000	32,000	32,000
Basic and diluted earnings per share (Saudi Riyals)	1.99	2.14	6.39	5.99

7. Property, plant and equipment

The additions during the nine-month period ended December 31, 2020 amounting to Saudi Riyals 100.4 million (year ended March 31, 2020: Saudi Riyals 92.6 million and nine-month period ended December 31, 2019: Saudi Riyals 67.6 million) mainly represent additions to capital work-in-progress for plant and machinery in the factories.

8. Zakat matters

Zakat assessments for the years up to and including 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.

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) Affiliates of the Group include entities which are subsidiaries, fellow subsidiaries and associates of QPIC and KIPCO Groups.
- (c) Significant related party transactions and balances for the period ended December 31 and balances arising there from are described as under:

Transactions with	Nature of transaction	Amount of transactions				Due to related parties	
		Three-month period ended December 31,		Nine-month period ended December 31,		December 31, 2020	March 31, 2020
		2020	2019	2020	2019	31, 2020	2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Buruj Cooperative Insurance Company (affiliate) (*)	Insurance premium	2,681	2,845	8,636	8,443	1,724	2,281
PKC Advisory (affiliate)	Consultancy services	256	241	712	720	-	-
						1,724	2,281

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

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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 10.7 million for the nine-month period ended December 31, 2020 (December 31, 2019: Saudi Riyals 12.7 million).

10 Financial Instruments**10.1 Financial assets**

	December 31, 2020 (Unaudited)	March 31, 2020 (Audited)
Non-Derivative Financial Assets		
Financial assets at amortised cost		
Trade and other receivables	194,008	215,968
Cash and cash equivalents	690,830	645,839
Security and other deposits	3,930	3,726
Total financial assets	888,768	865,533
Derivative Financial Assets		
Financial assets at fair value through profit or loss		
Foreign currency forwards	186	-
	186	-

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.

10.2 Financial liabilities

	December 31, 2020 (Unaudited)	March 31, 2020 (Audited)
Non-Derivative Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	130,301	221,172
Accruals and other liabilities	270,336	239,966
Lease liabilities	65,839	69,325
Dividends payable	3,389	3,475
Due to related parties	1,724	2,281
	471,589	536,219
Financial liabilities at fair value through profit or loss		
Non-controlling interest put option	27,958	25,363
Contingent consideration payable	3,069	7,053
	31,027	32,416
Total financial liabilities	502,616	568,635

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

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(All amounts in Saudi Riyals thousands unless otherwise stated)

10 Financial Instruments (continued)**10.3 Fair value measurement**

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

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

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

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

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

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

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

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

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

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

10.4 Financial instruments carried at fair value**a) Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

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

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and nine-month periods ended December 31, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

10. Financial Instruments (continued)**10.4 Financial instruments carried at fair value (continued)****b) Fair value measurements using significant unobservable inputs (level 3)**

	Contingent consideration payable	Non- controlling interest put option	Total
April 1, 2020 (audited)	7,053	25,363	32,416
Unwinding of discount	516	2,595	3,111
Payments	(4,500)	-	(4,500)
December 31, 2020 (unaudited)	3,069	27,958	31,027
Less: current portion	(3,069)	-	(3,069)
	-	27,958	27,958

c) Derivative financial instruments

During the nine-month period ended, the Group's Polish subsidiaries entered into multiple foreign currency forward contracts to cover the volatility in foreign currency transactions. At December 31, 2020, the Group had 23 foreign currency forward contracts in place with a total notional amount of Saudi Riyals 6.3 million and net positive carrying amount of Saudi Riyals 0.19 million. Net realized loss and net realized gain on matured foreign currency forwards recognized in the condensed consolidated interim statement of profit or loss during the three-month and nine-month periods ended December 31, 2020 amounted to Saudi Riyals 0.12 million and Saudi Riyals 0.17 million, respectively. All these contracts have been classified as 'held for trading' for accounting purposes under current liabilities and designated as level 2 in the condensed consolidated interim financial information.

The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparty 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.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity as of December 31, 2020 is as follows:

	Positive fair value	Negative fair value	Notional amount	Notional amounts by term to maturity			
				Within 3 months	3 to 12 months	1 – 5 years	Over 5 years
Foreign currency forwards	328	142	6,304	4,755	1,549	-	-
	328	142	6,304	4,755	1,549	-	-

The remaining maturities of the foreign currency forwards are less than 6 months as at December 31, 2020.

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11. Commitments and contingencies

- (a) As at December 31, 2020, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 123.3 million (March 31, 2020: Saudi Riyals 72.2 million).
- (b) As at December 31, 2020, the Group has contingent liabilities of Saudi Riyals 3.3 million (March 31, 2020: Saudi Riyals 3.3 million) in respect of guarantees issued for various business needs.

12. Non-binding agreement

On July 22, 2020, the Group signed a non-binding agreement with an intention to acquire a controlling stake in Horizon Food Company Limited (target company) from Tabuk Agriculture Development Company, subject to satisfactory completion of financial, technical, business, commercial and legal due diligence which is currently in progress. As at December 31, 2020, the Group has not acquired any stake in the target company.

13. Other reserve

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

14. 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 79.9 million (nine-month period ended December 31, 2019: Saudi Riyals 144 million). Subsequent to the period ended December 31, 2020, the Board of Directors approved payment of interim dividend of Saudi Riyals 3 per share (Saudi Riyals 96 million).

15. Corresponding figures

Certain finance costs classified in 'General and administrative expenses' amounting to Saudi Riyals 2.4 million and Saudi Riyals 5.3 million have been reclassified to 'Finance costs' for the three-month and nine-month periods ended December 31, 2019, respectively, in the condensed consolidated interim statement of profit or loss. Such reclassifications have not resulted in any impact on equity, income or total comprehensive income for comparative periods.

16. Authorization of financial information

This condensed consolidated interim financial information was authorized for issue by the Board of Directors on January 20, 2021.