

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

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

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIOD ENDED SEPTEMBER 30, 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 September 30, 2020 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-month and six-month periods then ended and the condensed consolidated interim statements of changes in equity and cash flows for the six-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



October 19, 2020

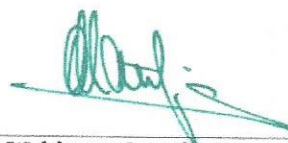
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of profit or loss
(All amounts in Saudi Riyals thousands unless otherwise stated)

		Three-month period ended September 30,		Six-month period ended September 30,	
	Note	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Revenue - net	4	535,397	521,078	1,101,390	1,006,310
Cost of revenue		(358,479)	(344,302)	(741,172)	(673,061)
Gross profit		176,918	176,776	360,218	333,249
Selling and distribution expenses		(77,759)	(82,314)	(151,202)	(152,745)
General and administrative expenses		(26,098)	(27,243)	(59,692)	(52,152)
Other operating income		1,890	751	2,813	1,559
Impairment loss on financial assets		(540)	(375)	(1,040)	(1,285)
Operating profit		74,411	67,595	151,097	128,626
Finance income		2,404	3,044	3,469	6,342
Finance costs		(1,885)	(831)	(3,834)	(2,923)
Profit before zakat		74,930	69,808	150,732	132,045
Zakat		(4,670)	(4,680)	(9,938)	(9,011)
Profit for the period		70,260	65,128	140,794	123,034
Profit is attributable to:					
Owners of SADAFCO		70,305	65,159	140,707	123,442
Non-controlling interests		(45)	(31)	87	(408)
		70,260	65,128	140,794	123,034
Earnings per share:					
Basic and dilutive earnings per share (Saudi Riyals) attributable to owners of SADAFCO	6	2.20	2.04	4.40	3.86

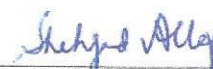
The notes from 1 to 16 form part of this condensed consolidated interim financial information.



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 September 30,		Six-month period ended September 30,	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Profit for the period	70,260	65,128	140,794	123,034
Other comprehensive income / (loss)				
<i>Items that may be reclassified to profit or loss</i>				
Exchange difference on translation of foreign operations	(92)	(31)	(168)	97
<i>Items that will not to be reclassified to profit or loss</i>				
Re-measurement gain on employee benefit obligation	-	-	-	-
Other comprehensive income / (loss) for the period	(92)	(31)	(168)	97
Total comprehensive income for the period	70,168	65,097	140,626	123,131
Total comprehensive income for the period is attributable to:				
Owners of SADAFCO	70,256	65,128	140,585	123,537
Non-controlling interests	(88)	(31)	41	(406)
	70,168	65,097	140,626	123,131

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	September 30, 2020 (Unaudited)	March 31, 2020 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	7	813,472	797,525
Right-of-use assets		69,092	72,164
Intangible assets		24,789	26,133
Other non-current assets		5,389	5,646
		<u>912,742</u>	<u>901,468</u>
Current assets			
Inventories		431,456	357,627
Trade and other receivables		203,627	215,968
Deposits, prepayments and other assets		90,523	53,567
Cash and cash equivalents		609,830	645,839
		<u>1,335,436</u>	<u>1,273,001</u>
Total assets		<u>2,248,178</u>	<u>2,174,469</u>
Liabilities			
Non-current liabilities			
Employee benefit obligations		115,164	113,041
Lease liabilities		56,855	57,174
Non-controlling interest put option and other liabilities		27,266	29,330
		<u>199,285</u>	<u>199,545</u>
Current liabilities			
Trade and other payables		208,987	221,172
Accruals and other liabilities		275,024	243,052
Current portion of lease liabilities		11,413	12,151
Zakat payable	8	9,346	16,327
Dividends payable		3,389	3,475
Due to related parties	9	2,145	2,281
		<u>510,304</u>	<u>498,458</u>
Total liabilities		<u>709,589</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	270,459	256,388
Treasury shares		(51,559)	(51,559)
Foreign currency translation reserves		(2,457)	(2,335)
Retained earnings		813,470	766,833
Equity attributable to owners of SADAFCO		<u>1,517,413</u>	<u>1,456,827</u>
Non-controlling interests		21,176	19,639
Net equity		<u>1,538,589</u>	<u>1,476,466</u>
Total liabilities and equity		<u>2,248,178</u>	<u>2,174,469</u>


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



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Chief Executive Officer



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Chief Financial Officer

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

Condensed consolidated interim statement of changes in equity
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Attributable to owners of SADAFCO								
	Issued share and paid up capital	Statutory reserve	Other reserve	Treasury shares	Foreign currency translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at April 1, 2019 (audited)	325,000	162,500	229,762	(51,559)	(525)	673,267	1,338,445	19,414	1,357,859
Profit for the period	-	-	-	-	-	123,442	123,442	(408)	123,034
Other comprehensive income	-	-	-	-	95	-	95	2	97
Total comprehensive income / (loss) for the period	-	-	-	-	-	-	-	-	-
Dividends (Note 14)	-	-	-	-	-	123,442	123,537	(406)	123,131
Transfer to other reserve (Note 13)	-	-	12,344	-	-	(12,344)	(64,000)	-	(64,000)
Balance at September 30, 2019 (unaudited)	325,000	162,500	242,106	(51,559)	(430)	720,365	1,397,982	19,008	1,416,990
Balance at April 1, 2020 (audited)	325,000	162,500	256,388	(51,559)	(2,335)	766,833	1,456,827	19,639	1,476,466
Profit for the period	-	-	-	-	-	140,707	140,707	87	140,794
Other comprehensive loss	-	-	-	-	(122)	-	(122)	(46)	(168)
Total comprehensive (loss) / income for the period	-	-	-	-	-	-	-	-	-
Other changes in non-controlling interest	-	-	-	-	(122)	140,707	140,585	41	140,626
Dividends (Note 14)	-	-	-	-	-	-	-	1,496	1,496
Transfer to other reserve (Note 13)	-	-	-	-	-	(79,999)	(79,999)	-	(79,999)
Balance at September 30, 2020 (unaudited)	325,000	162,500	270,459	(51,559)	(2,457)	813,470	1,517,413	21,176	1,538,589

The notes from 1 to 16 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)

	Six-month period ended September 30,	
	2020 (Unaudited)	2019 (Unaudited)
Cash flow from operating activities		
Profit before zakat	150,732	132,045
<u>Adjustments for:</u>		
Depreciation	50,156	46,815
Amortization of intangible assets	1,344	1,276
Loss on disposal of property, plant and equipment	(1,038)	(562)
Impairment loss on financial assets	1,040	1,729
Finance costs on lease liabilities	1,415	1,269
Finance costs on non-controlling interest put option and contingent consideration payable	2,419	1,684
Provision for employee benefit obligations	7,356	7,606
Others	257	(215)
	213,681	191,647
<u>Working capital</u>		
Inventories	(73,829)	(48,126)
Trade and other receivables	11,301	(19,255)
Deposits, prepayments and other assets	(36,956)	(5,678)
Trade and other payables	(12,185)	(10,422)
Due to related parties	(136)	552
Accruals and other liabilities	31,989	41,818
	133,865	150,536
Employee benefit obligations paid	(5,233)	(8,246)
Zakat paid	(16,919)	(17,857)
Net cash inflow from operating activities	111,713	124,433
Cash flow from investing activities		
Sale proceeds from disposal of property, plant and equipment	1,070	660
Purchases of property, plant and equipment	(58,263)	(28,773)
Net cash outflow from investing activities	(57,193)	(28,113)
Cash flow from financing activities		
Dividends paid to owners of SADAFCO	(80,085)	(63,885)
Principal elements of lease payments	(7,272)	(10,041)
Payment for contingent consideration payable	(4,500)	-
Change in non-controlling interest	1,496	-
Net cash outflow from financing activities	(90,361)	(73,926)
Net change in cash and cash equivalents	(35,841)	22,394
Effects of exchange rate fluctuations on cash and cash equivalents	(168)	97
Cash and cash equivalents at the beginning of period	645,839	582,055
Cash and cash equivalents at the end of period	609,830	604,546

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



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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 six-month period ended September 30, 2020 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General Information

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

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

In response to the spread of Covid-19, in the last quarter 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 has taken a series of preventive measures, to ensure the health and safety of its employees, their families, customers, consumers and wider community to ensure the continuity of supply of its products. As a producer of nutritious dairy products, respective Governments have permitted the Group to operate, within guidelines, essentially as normal. Based on these factors, the management believes that the pandemic had no material effect on the reported financial results for the three-month and six-month periods ended September 30, 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 six-month period ended September 30, 2020 (Unaudited)****(All amounts in Saudi Riyals thousands unless otherwise stated)**

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

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

2.5 Critical accounting estimates and judgements

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

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

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

3. Significant accounting policies

The accounting policies adopted by the Group for the preparation of the condensed consolidated interim financial information are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended March 31, 2020. Accounting policy related to derivative financial instruments entered into during the three-month period ended September 30, 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.

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	Three-month period ended				Six-month period ended			
	Drinks	Non-Drinks	Un-allocated	Total	Drinks	Non-Drinks	Un-allocated	Total
September 30, 2020 (Unaudited)								
Segment profit or loss								
Revenue from external customers	317,080	218,317	-	535,397	669,127	432,263	-	1,101,390
Profit before zakat	39,455	35,475	-	74,930	82,100	68,632	-	150,732
Depreciation and amortization	17,967	7,625	-	25,592	36,675	14,825	-	51,500
Finance income	-	1,707	697	2,404	-	1,707	1,762	3,469
Finance costs	186	1,699	-	1,885	1,143	2,691	-	3,834

	September 30, 2020			
	Drinks	Non-Drinks	Un-allocated	Total
Segment assets				
Property, plant and equipment	581,788	231,684	-	813,472
Right-of-use asset	56,402	12,690	-	69,092
Intangible assets	-	24,789	-	24,789
Other non-current assets	-	5,146	243	5,389
Current assets	-	50,088	1,285,348	1,335,436
Total assets	638,190	324,397	1,285,591	2,248,178

	September 30, 2020			
	Drinks	Non-Drinks	Un-allocated	Total
Segment liabilities				
Current liabilities	8,765	20,476	481,063	510,304
Non-controlling interest put option and other liabilities	-	27,266	-	27,266
Lease liabilities	46,772	10,083	-	56,855
Employee benefit obligations	-	230	114,934	115,164
Total liabilities	55,537	58,055	595,997	709,589

(All amounts in Saudi Riyals thousands unless otherwise stated)

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 six-month period ended September 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	Drinks	Non-Drinks	Unallocated	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 September 30,		Six-month period ended September 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Geographic information				
Revenue from external customers				
Kingdom of Saudi Arabia	470,495	456,613	962,836	862,969
Poland	34,893	38,773	75,021	90,628
Gulf Cooperation Council (GCC) countries	16,554	14,248	33,382	29,362
Other	13,455	11,444	30,151	23,351
Total	535,397	521,078	1,101,390	1,006,310

	September 30, 2020	March 31, 2020
	(Unaudited)	(Audited)
Non-current operating assets		
Kingdom of Saudi Arabia	817,529	802,212
Poland	72,636	75,171
Gulf Cooperation Council (GCC) countries	19,116	18,848
Others	3,461	5,237
Total	912,742	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 six-month period ended September 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. Segment information (continued)

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.

Inter-segment revenue for drinks for the three-month and six-month periods ended, amounted to Saudi Riyals 8.8 million and Saudi Riyals 17.9 million (Three-month and six-month periods ended September 30, 2019: Saudi Riyals 6.8 million and Saudi Riyals 13.8 million), respectively, and for non-drinks amounted to Saudi Riyals 17.8 million and Saudi Riyals 47.4 million (Three-month and six-month periods ended September 30, 2019: Saudi Riyals 16.7 million and Saudi Riyals 46.6 million), respectively.

4.3 Reconciliation of profit

	Three-month period ended September 30,		Six-month period ended September 30,	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Profit before zakat	74,930	69,808	150,732	132,045
Zakat	(4,670)	(4,680)	(9,938)	(9,011)
Profit for the period	70,260	65,128	140,794	123,034

5. Group information

The condensed consolidated interim financial information of the Group includes:

Name	Relationship	Principal activities	Country of incorporation	% equity interest	
				September 30, 2020	March 31, 2020
SADAFCO Bahrain Company SPC	Subsidiary	Foodstuff and dairy products	Bahrain	100%	100%
SADAFCO Jordan Foodstuff Company LLC	Subsidiary	Foodstuff and dairy products	Jordan	100%	100%
SADAFCO Qatar W.L.L.	Subsidiary	Foodstuff and dairy products	Qatar	75%	75%
SADAFCO Kuwait Foodstuff Co. W.L.L (*)	Subsidiary	Foodstuff and dairy products	Kuwait	49%	49%
SADAFCO Poland sp. Z.o.o. ("SADAFCO Poland")	Subsidiary	Holding company	Poland	100%	100%
Mlekoma sp. Z.o.o.	Subsidiary	Dairy products	Poland	76%	76%
Foodexo sp. Z.o.o.	Subsidiary	Dairy products	Poland	76%	76%
Mlekoma Dairy Z.o.o	Associate	Dairy products	Poland	37%	37%

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

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

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

(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 September 30,		Six-month period ended September 30,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to owners of SADAFCO	70,305	65,159	140,707	123,442
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)	2.20	2.04	4.40	3.86

7. Property, plant and equipment

The additions during the six-month period ended September 30, 2020 amounting to Saudi Riyals 58.3 million (year ended March 31, 2020: Saudi Riyals 92.6 million and six-month period ended September 30, 2019: Saudi Riyals 28.7 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) Significant related party transactions and balances for the period ended September 30 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 September 30,		Six-month period ended September 30,		September 30, 2020	March 31, 2020
		2020	2019	2020	2019	30, 2020	2020
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Buruj Cooperative Insurance Company (affiliate) (*)	Insurance premium	2,978	2,950	5,955	5,598	2,145	2,281
PKC Advisory (affiliate)	Consultancy services	230	281	456	479	-	-
						2,145	2,281

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

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and six-month period ended September 30, 2020 (Unaudited)****(All amounts in Saudi Riyals thousands unless otherwise stated)****9. Related party matters (continued)****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 7.2 million for the six-month period ended September 30, 2020 (September 30, 2019: Saudi Riyals 8.6 million).

10 Financial Instruments**10.1 Financial assets**

	September 30, 2020 (Unaudited)	March 31, 2020 (Audited)
Non-Derivative Financial Assets		
Financial assets at amortised cost		
Trade and other receivables	203,627	215,968
Cash and cash equivalents	609,830	645,839
Security and other deposits	4,391	3,726
Total financial assets	817,848	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.

10.2 Financial liabilities

	September 30, 2020 (Unaudited)	March 31, 2020 (Audited)
Non-Derivative Financial Liabilities		
Financial liabilities at amortised cost		
Trade and other payables	208,987	221,172
Accruals and other liabilities	269,972	239,966
Lease liabilities	68,268	69,325
Dividends payable	3,389	3,475
Due to related parties	2,145	2,281
	552,761	536,219
Financial liabilities at fair value through profit or loss		
Non-controlling interest put option and other liabilities	27,266	32,416
Contingent consideration payable	3,069	-
	30,335	32,416
Total financial liabilities	583,096	568,635
Derivative Financial Liabilities		
Financial liabilities at fair value through profit or loss		
Foreign currency forwards	20	-
	20	-

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

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

(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 six-month period ended September 30, 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)**

	Non-controlling interest put option and other liabilities
April 1, 2020 (audited)	32,416
Unwinding of discount	2,419
Payments	(4,500)
September 30, 2020 (unaudited)	30,335

c) Derivative financial instruments

During the three-month period ended, the Group's Polish subsidiaries entered into multiple foreign currency forward contracts to cover the volatility in foreign currency transactions. At September 30, 2020, the Group had 22 foreign currency forward contracts in place with a total notional amount of Saudi Riyals 21.7 million and net carrying amount of Saudi Riyals 0.02 million. Net realized gain on matured foreign currency forwards recognised during the three-month and six-month periods ended in the condensed consolidated interim statement of profit or loss amounted to Saudi Riyals 0.29 million. 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 September 30, 2020 is as follows:

				<u>Notional amounts by term to maturity</u>			
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 to 12 months	1 – 5 years	Over 5 years
Foreign currency forwards	371	391	21,725	21,056	669	-	-
	371	391	21,725	21,056	669		

The remaining maturities of the foreign currency forwards are less than 6 months as at September 30, 2020.

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

11. Commitments and contingencies

- (a) As at September 30, 2020, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 115.4 million (March 31, 2020: Saudi Riyals 72.2 million).
- (b) As at September 30, 2020, the Group has contingent liabilities of Saudi Riyals 3.3 million (March 31, 2020: Saudi Riyals 3.3 million) in respect of guarantees issued for various business needs.

12. 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 September 30, 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 (six-month period ended September 30, 2019: Saudi Riyals 64 million).

15. Corresponding figures

'General and administrative expenses' amounting to Saudi Riyals 0.8 million and Saudi Riyals 2.9 million have been reclassified to 'Finance costs' for the three-month and six-month periods ended September 30, 2019, respectively, in the condensed consolidated interim statement of profit or loss to conform with the current period presentation.

16. Authorization of financial information

These condensed consolidated interim financial information were authorized for issue by the Board of Directors on October 19, 2020.