

**SAUDIA DAIRY AND FOODSTUFF COMPANY
(SADAFCO)
(A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025
WITH INDEPENDENT AUDITOR'S REPORT**

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2025

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

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Saudia Dairy and Foodstuff Company (SADAFCO) (the "Company") and its subsidiaries (together the "Group") as at December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2025;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Our audit approach

Overview

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

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

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

Our audit approach (continued)

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
<p><i>Revenue recognition</i></p> <p>For the year ended December 31, 2025, the Group recognised total revenue of Saudi Riyals 2.99 billion and Saudi Riyals 0.07 billion from its continued operations and discontinued operations, respectively.</p> <p>Revenue is recognised from the sale of goods at a point in time when control of the goods is transferred to the customer. In addition, revenue is recognized net of rebates and discounts, which require management to make critical estimates and assumptions.</p> <p>Revenue recognition is considered a key audit matter due to its quantitative significance, the critical estimation of rebates and discounts and presence of management bias or risk of fraud associated with revenue recognition.</p> <p>Refer to note 3.19 for the revenue recognition accounting policy and notes 20 and 27.1 for the related disclosures.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Understood and evaluated the revenue process followed for the Group's performance obligations; Evaluated the design and implementation of the relevant controls related to revenue recognition; Understood and evaluated the appropriateness of the accounting policy for revenue recognition with respect to International Financial Reporting Standard 15 – Revenue from Contracts with Customers ("IFRS 15"); Obtained an understanding of the nature of revenue contracts entered into by the Group and tested a sample of such contracts to confirm our understanding and assess whether the management's application of IFRS 15 requirements was appropriate; Tested, on a sample basis, revenue transactions and traced these transactions to underlying source documents; Tested on a sample basis, revenue transactions recorded before and after the reporting date against underlying source documents to assess whether revenue was recognized in the correct period; Tested on a sample basis, the calculations for the rebates and traced the discounts and sales returns to underlying source documents; Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.

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

Other information

Management is responsible for the other information. The other information comprises information included in the Group's 2025 Annual Report, but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the Group's 2025 Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

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

PricewaterhouseCoopers



Mufaddal A. Ali
License number 447



February 17, 2026

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Consolidated statement of financial position
As at December 31, 2025
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	As at December 31,	
		2025	2024
Assets			
Non-current assets			
Property, plant and equipment	6	1,032,056	994,364
Right-of-use assets	7	90,570	52,558
Intangible assets	8	17,292	8,814
Financial assets at fair value through profit or loss	9	38,904	87,138
Total non-current assets		1,178,822	1,142,874
Current assets			
Inventories	10	501,965	456,242
Prepayments and other receivables	11	54,727	73,110
Trade receivables	12	318,870	289,223
Short-term investments	13	140,623	222,752
Cash and cash equivalents	14	464,231	467,796
Current assets excluding assets classified as held for sale		1,480,416	1,509,123
Assets classified as held for sale	27	30,342	-
Total current assets		1,510,758	1,509,123
Total assets		2,689,580	2,651,997
Equity and liabilities			
Equity			
Share capital	15	325,000	325,000
Treasury shares reserve	15	(61,668)	(51,559)
Foreign currency translation reserve	15	(7,328)	(17,149)
Retained earnings		1,486,705	1,550,958
Net equity		1,742,709	1,807,250
Liabilities			
Non-current liabilities			
Non-current portion of lease liabilities	7	57,572	43,225
Employee benefit obligations	16	171,092	158,487
Total non-current liabilities		228,664	201,712
Current liabilities			
Trade and other payables	17	298,566	252,108
Accrued expenses and other liabilities	18	370,325	351,810
Due to related parties	29	30	18
Current portion of lease liabilities	7	12,819	10,049
Dividends payable		4,350	4,715
Accrued zakat and income tax	19	25,527	24,335
Current liabilities excluding liabilities directly associated with assets held for sale		711,617	643,035
Liabilities relating to assets classified as held for sale	27	6,590	-
Total current liabilities		718,207	643,035
Total liabilities		946,871	844,747
Total equity and liabilities		2,689,580	2,651,997

The accompanying notes form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar
Member Board of Directors

Patrick Othmar Stillhart
Chief Executive Officer

Subir Swarajya Dhawan
Chief Financial Officer

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Consolidated statement of profit or loss
For the year ended December 31, 2025
 (All amounts in Saudi Riyals thousands unless otherwise stated)

		Year ended December 31,	
	Note	2025	2024
Revenue	20	2,999,400	2,857,652
Cost of revenue	21	(2,065,456)	(1,815,927)
Gross profit		933,944	1,041,725
Selling and distribution expenses	22	(443,600)	(458,270)
General and administrative expenses	23	(121,478)	(110,900)
Reversal of impairment on financial assets	12	4,832	3,211
Other operating income	24	109,905	2,047
Operating profit		483,603	477,813
Finance income	25	34,000	49,687
Finance costs	26	(4,201)	(10,805)
Finance income – net		29,799	38,882
Profit before zakat and income tax from continuing operations		513,402	516,695
Zakat and income tax expense	19	(25,414)	(23,899)
Profit from continuing operations		487,988	492,796
Loss from discontinued operations	27	(10,599)	(9,633)
Profit for the year		477,389	483,163
Profit from continuing operations attributable to:			
Owners of the Company		487,988	493,320
Non-controlling interests		-	(524)
		487,988	492,796
Profit for the year attributable to:			
Owners of the Company		477,389	483,687
Non-controlling interests		-	(524)
		477,389	483,163
Earnings per share:			
Basic and dilutive earnings per share (Saudi Riyals) attributable to owners of the Company			
• Profit from continuing operations	28	15.25	15.42
• Profit from the year	28	14.92	15.12

The accompanying notes form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar
 Member Board of Directors

Patrick Othmar Stillhart
 Chief Executive Officer

Subir Swarajya Dhawan
 Chief Financial Officer

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Consolidated statement of comprehensive income
For the year ended December 31, 2025
 (All amounts in Saudi Riyals thousands unless otherwise stated)

Note	Year ended December 31,	
	2025	2024
Profit for the year	477,389	483,163
Other comprehensive income/ (loss)		
<u>Items that may be reclassified to profit or loss</u>		
Exchange difference on translation of foreign operations	9,821	(5,579)
<u>Items that will not be reclassified to profit or loss</u>		
Re-measurement gain on employee benefit obligations	16 2,300	3,611
Other comprehensive income/ (loss) for the year	12,121	(1,968)
Total comprehensive income for the year	489,510	481,195
Total comprehensive income for the year attributable to:		
Owners of the Company	489,510	481,719
Non-controlling interests	-	(524)
	489,510	481,195
Total comprehensive income for the year attributable to owners of the Company:		
Continuing operations	500,109	490,828
Discontinued operations	(10,599)	(9,633)
	489,510	481,195

The accompanying notes form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar
 Member Board of Directors

Patrick Othmar Stillhart
 Chief Executive Officer

Subir Swarajya Dhawan
 Chief Financial Officer

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
For the year ended December 31, 2025
(All amounts in Saudi Riyals thousands unless otherwise stated)

Attributable to owners of the Company									
	Share capital	Statutory reserve	Other reserve	Treasury shares reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at January 1, 2024	325,000	162,500	366,811	(51,559)	(11,570)	1,110,349	1,901,531	304	1,901,835
Profit for the year	-	-	-	-	-	483,687	483,687	(524)	483,163
Other comprehensive income/ (loss) for the year	-	-	-	-	(5,579)	3,611	(1,968)	-	(1,968)
Total comprehensive income for the year	-	-	-	-	(5,579)	487,298	481,719	(524)	481,195
Dividends declared (Note 35)	-	-	-	-	-	(576,000)	(576,000)	-	(576,000)
Disposal of a subsidiary (Note 5)	-	-	-	-	-	-	-	220	220
Transfer to retained earnings (Note 15)	-	(162,500)	(366,811)	-	-	529,311	-	-	-
Balance at December 31, 2024	325,000	-	-	(51,559)	(17,149)	1,550,958	1,807,250	-	1,807,250
Profit for the year	-	-	-	-	-	477,389	477,389	-	477,389
Other comprehensive income for the year	-	-	-	-	9,821	2,300	12,121	-	12,121
Total comprehensive income for the year	-	-	-	-	9,821	479,689	489,510	-	489,510
Acquisition of treasury shares (Note 15)	-	-	-	(10,109)	-	-	(10,109)	-	(10,109)
Dividends declared (Note 35)	-	-	-	-	-	(543,942)	(543,942)	-	(543,942)
Balance at December 31, 2025	325,000	-	-	(61,668)	(7,328)	1,486,705	1,742,709	-	1,742,709

The accompanying notes form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar
Member Board of Directors

Patrick Othmar Stillhart
Chief Executive Officer

Subir Swarajya Dhawan
Chief Financial Officer

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
For the year ended December 31, 2025
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2025	2024
Cash flows from operating activities			
Profit before zakat and income tax from continuing operations		513,402	516,695
Loss before zakat and income tax from discontinued operations	27	(10,599)	(9,633)
Profit before zakat and income tax for the year		502,803	507,062
<i>Adjustments for:</i>			
Depreciation on property, plant and equipment	6	103,731	102,536
Impairment on property, plant and equipment	6	16,359	-
Depreciation on right-of-use assets	7	13,911	12,300
Amortisation on intangible assets	8	1,580	31
Gain on disposal of asset classified as held for sale	24	(107,417)	-
Gain on disposal of property, plant and equipment	6	(715)	(1,383)
Reversal of impairment on financial assets	12	(3,656)	(3,039)
Finance income	25	(34,000)	(49,687)
Finance costs	26, 27	4,290	10,887
(Reversal of provision)/ provision for inventories	10	(20,180)	29,526
Provision for employee benefit obligations	16	29,059	24,689
Write-off of property, plant and equipment	6	65	796
Loss on disposal of investment in subsidiary	5	-	1,891
<i>Changes in:</i>			
Inventories		(29,724)	(55,516)
Prepayments and other receivables		19,924	(12,423)
Trade receivables		(34,626)	(17,346)
Trade and other payables		1,862	(70,044)
Accrued expenses and other liabilities		20,399	36,117
Due to related parties		12	(1,926)
Cash generated from operating activities		483,677	514,471
Employee benefit obligations paid	16	(12,259)	(16,645)
Zakat and income tax paid	19	(24,222)	(27,391)
Net cash generated from operating activities		447,196	470,435
Cash flows from investing activities			
Finance income received on investments		40,369	52,970
Payment of initial direct costs on lease	7	(20,395)	-
Payments for property, plant and equipment	6	(117,809)	(204,505)
Payments for intangible assets	8	(10,058)	(2,675)
Proceeds from disposal of asset classified as held for sale	24	110,250	-
Proceeds from disposal of property, plant and equipment		61	2,689
Proceeds from disposal of financial assets at fair value through profit or loss		50,000	-
Additions to financial assets at fair value through profit or loss		-	(50,000)
Short-term investments made		(817,700)	(796,760)
Proceeds from maturity of short-term investments		896,660	1,242,600
Net movement in other non-current assets		-	6,620
Net cash generated from investing activities		131,378	250,939

The accompanying notes form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar
 Member Board of Directors

Patrick Othmar Stillhart
 Chief Executive Officer

Subir Swarajya Dhawan
 Chief Financial Officer

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Consolidated statement of cash flows
For the year ended December 31, 2025
 (All amounts in Saudi Riyals thousands unless otherwise stated)

		Year ended December 31,	
	Note	2025	2024
Cash flows from financing activities			
Dividends paid	35	(544,307)	(574,982)
Finance costs paid		(4,290)	(9,163)
Payments for acquisition of treasury shares		(10,109)	-
Principal repayments of lease liability	7	(14,800)	(12,645)
Net cash used in financing activities		(573,506)	(596,790)
Net change in cash and cash equivalents		5,068	124,584
Effects of exchange rate fluctuations on cash and cash equivalents		(4,145)	(6,128)
Cash and cash equivalents at the beginning of the year		467,796	349,340
Cash and cash equivalents at the end of the year		468,719	467,796
Cash and cash equivalents other than assets held for sale	14	464,231	467,796
Cash and cash equivalents included in assets held for sale	27	4,488	-
Cash and cash equivalents at the end of the year		468,719	467,796
Non-cash transaction:			
Transfer to assets held for sale	6	10,260	-

The accompanying notes form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar
 Member Board of Directors

Patrick Othmar Stillhart
 Chief Executive Officer

Subir Swarajya Dhawan
 Chief Financial Officer

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General Information

Saudia Dairy and Foodstuff Company (SADAFCO) 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 having unified number 7000849831 issued in Jeddah dated Rabi Al-Akhar 21, 1396H (corresponding to April 21, 1976).

The registered office of the Company is located at Ibrahim Almalki Street, Alnakhil District, P.O. Box 5043, Jeddah 21422, Kingdom of Saudi Arabia. During the year, the Company has shifted its head office to Sari Branch Road, Al Khalidiyah District, Jeddah 23423, with the update of commercial registration pending finalization of the necessary legal formalities.

The Company and its subsidiaries are primarily engaged in the production and distribution of dairy products, beverages, and various foodstuffs in the Kingdom of Saudi Arabia, Poland, and certain other Gulf countries. Information on the Group’s structure is provided in note 5 to these consolidated financial statements.

The accompanying consolidated financial statements include the activities of the Company’s head office and its following branches:

S.No	Location of Branch	Commercial Registration Number
1	Riyadh	1010138304
2	Riyadh	1116003338
3	Buraydah	1131010561
4	Dammam	2050031704
5	Najran	5950003515
6	Dhahran	2251018568
7	AlKharj	1011150527
8	Taif	4032019884
9	Yanbu	4700003368
10	Sahil	5860013254
11	Jizan	5900003767
12	Abha	5855013255
13	Hafr Elbatin	2511003119
14	Hail	3350006499
15	Hasa	3403005857
16	Tabouk	3550007577
17	Jeddah	4030122648
18	Jeddah	4030279567
19	Jeddah	4030311244
20	Jeddah	4030424042
21	Makkah	4031019174
22	Madinah	4650005848
23	Sabt Al Alaya	5852001684
24	Jeddah	4030009917
25	Dammam	2050084202

2. Basis of preparation**2.1 Statement of compliance**

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

2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, unless stated otherwise, using the accruals basis of accounting, and going concern concept. Certain comparatives have been reclassified to conform to the current year’s presentation.

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)**2.3 Functional and presentation currency**

The Group's consolidated financial statements are presented in Saudi Arabian Riyals ("Saudi Riyals"), which is also the Group's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

2.4 Application of new and amended standards and interpretations**a) Amended standard adopted by the Group**

Certain amendment to existing standards became applicable for the current reporting period. The amendment did not have an impact on the financial statements of the Group and accordingly, the Group did not have to change its accounting policies or make any retrospective adjustments.

Title	Key requirements	Effective date
Lack of exchangeability – Amendment to IAS 21	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	January 1, 2025

b) Standards, interpretations and amendments issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2025 reporting periods and have not been early adopted by the Group. The standards, interpretations and amendments issued that are relevant to the Group, but are not yet effective are disclosed below.

Title	Key requirements	Effective date
Amendment to IFRS 9 and IFRS 7 - Classification and Measurement of Financial Instruments	<p>These amendments:</p> <ul style="list-style-type: none"> clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion; add new disclosures for certain instruments with contractual terms that can change cash flows (such as some instruments with features linked to the achievement of environment, social and governance (ESG) targets); and make updates to the disclosures for equity instruments designated at Fair Value through Other Comprehensive Income (FVOCI). 	January 1, 2026

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)**2.4 Application of new and amended standards and interpretations (continued)****b) Standards, interpretations and amendments issued but not yet effective (continued)**

Title	Key requirements	Effective date
Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity	These amendments change the 'own use' and hedge accounting requirements of IFRS 9 and include targeted disclosure requirements to IFRS 7. These amendments apply only to contracts that expose an entity to variability in the underlying amount of electricity because the source of its generation depends on uncontrollable natural conditions (such as the weather). These are described as 'contracts referencing nature-dependent electricity'.	January 1, 2026
Annual improvements to IFRS – Volume 11	<p>Annual improvements are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversights or conflicts between the requirements in the Accounting Standards. The 2024 amendments are to the following standards:</p> <ul style="list-style-type: none"> • IFRS 1 First-time Adoption of International Financial Reporting Standards; • IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7; • IFRS 9 Financial Instruments; • IFRS 10 Consolidated Financial Statements; and • IAS 7 Statement of Cash Flows. 	January 1, 2026
Amendments to Illustrative Examples on IFRS 7, IFRS 18, IAS 1, IAS 8, IAS 36 and IAS 37 - Disclosures about Uncertainties in the Financial Statements	The amendments set out guidance accompanying several IFRS Accounting Standards, including IFRS 18 Presentation and Disclosure in Financial Statements and IAS 1 Presentation of Financial Statements.	January 1, 2027
Amendments to IAS 21 - Translation to a Hyperinflationary Presentation Currency	These amendments clarify how entities should translate financial statements from a non-hyperinflationary currency into a hyperinflationary one.	January 1, 2027
IFRS 18 - Presentation and Disclosure in Financial Statements	<p>These narrow-scope amendments aim to improve the usefulness of the resulting information in a cost-effective manner. Developed in response to stakeholder feedback, these amendments are expected to reduce diversity in practice and provide a clearer basis for reporting in a hyperinflationary currency.</p> <p>The new standard on presentation and disclosure in financial statements, require more focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:</p> <ul style="list-style-type: none"> - the structure of the statement of profit or loss; - required disclosures in the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general. 	January 1, 2027

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2. Basis of preparation (continued)**2.4 Application of new and amended standards and interpretations (continued)****b) Standards, interpretations and amendments issued but not yet effective (continued)**

Title	Key requirements	Effective date
IFRS 19 - Subsidiaries without Public Accountability	This new standard applies to eligible subsidiaries that elect to adopt the standard in their consolidated, separate or individual financial statements. Eligible subsidiaries are those that are not publicly accountable and whose ultimate or intermediate parent prepares consolidated financial statements available for public use that comply with IFRS Accounting Standards.	January 1, 2027
Amendments to IFRS 19	The newly issued amendments to IFRS 19 help eligible subsidiaries by reducing disclosure requirements for Standards and amendments issued between February 2021 and May 2024.	January 1, 2027

Management is in the process of assessing the impact, if any, these pronouncements may have in future reporting periods.

3. Material accounting policies

The material accounting policies applied by the Group in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Basis of consolidation**Subsidiaries**

The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2025. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year of are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income ("OCI") are attributed to the equity holders of the Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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3. Material accounting policies (continued)**3.1 Basis of consolidation (continued)****Subsidiaries (continued)**

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies and reporting period in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Non-controlling interests

Non-controlling interest represents the interest in subsidiary companies, not held by the Group which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with non-controlling interest parties are treated as transactions with parties external to the Group. Changes in Group's interest in a subsidiary as a result of transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid / received and the relevant share acquired / disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal / acquisition of non-controlling interests are also recorded in equity.

Non-controlling interest put option

Written put options in respect of which the Group does not have an unconditional right to avoid the delivery of cash, are recognized as financial liabilities. Under this method, the non-controlling interest is not derecognized when the financial liability in respect of the put option is recognized, as the non-controlling interest still has present access to the economic benefits associated with the underlying ownership interest. Non-controlling interest put options are initially recognized at the present value of redemption amount and reduction to controlling interest equity. All subsequent changes in liability are recognized within controlling interest equity.

3.2 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale at the date when the decision to transfer is appropriately authorized. They are measured at the lower of their carrying amount and fair value less costs to distribute.

Non-current assets classified as held for sale are presented separately from the other assets in the consolidated statement of financial position. The liabilities associated with assets classified as held for sale are presented separately from other liabilities in the consolidated statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations.

The Group presents results from discontinued operations after zakat as a single component of the consolidated statement of comprehensive income.

Any adjustments to the carrying amount, when the non-current asset ceases to be classified as held for sale, is included in profit or loss from continuing operations in the period that the 'held for sale' criteria cease to be met. In the comparative period, the consolidated statement of financial position amounts is not moved from the caption of 'held for sale' and their measurement is not revised. However, in the comparative consolidated statement of profit or loss, comprehensive income and cash flows, the comparative amounts are represented as continued operations.

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3. Material accounting policies (continued)**3.3 Foreign currencies translation****Transaction and balances**

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

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

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

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group companies

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

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of end of reporting period;
- income and expenses for each consolidated statement of profit or loss and consolidated statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income, except to the extent that the translation difference is allocated to NCI.

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

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

3.4 Current vs non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading.
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

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3. Material accounting policies (continued)**3.5 Property, plant and equipment****i) Recognition and measurement**

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major overhaul is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in consolidated statement of profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met and the amounts are expected to be material.

ii) Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over the estimated useful lives of property, plant and equipment and is generally recognized in consolidated statement of profit or loss. Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the consolidated statement of profit or loss:

Category	Years
Buildings and leasehold improvements	10 – 40
Machinery and equipment	4 – 15
Vehicles and trailers	4 – 7
Furniture, fixtures and office equipment	4 – 10

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

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Capital work in progress (CWIP)

Assets in the course of construction or development are capitalised in the CWIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management. The cost of an item of CWIP comprises its purchase price, construction / development cost and any other costs directly attributable to the construction or acquisition of an item intended by management. CWIP is measured at cost less impairment. CWIP is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

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3. Material accounting policies (continued)**3.6 Leases**

At the inception of the contract, the Group assesses whether a contract is or contains a lease. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation, impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date, and an estimate of costs to dismantle and remove the underlying asset on the site on which it is located less any lease incentives received.

Right-of-use assets are depreciated over the shorter period of the lease term or the economic useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group applies IAS 36 “Impairment of Assets” to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. Refer note 3.8 for detail.

Lease liabilities

The lease liability is initially measured at the net present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the individual lessee, which does not have recent third-party financing, and
- makes adjustments specific to the lease, for example term, country, currency and security

Lease liabilities include the net present value of the following lease payments:

- fixed lease payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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3. Material accounting policies (continued)**3.6 Leases (continued)**Lease liabilities

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is re-measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

3.7 Intangible assets

Intangible assets other than goodwill are measured at cost, less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives of 3-5 years.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

3.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used such as valuation multiples (including earnings multiples), quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

Intangible assets, excluding goodwill, with indefinite useful lives are tested at each reporting date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

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3. Material accounting policies (continued)**3.9 Financial instruments****(i) Financial assets*****Initial recognition and measurement***

Financial assets are classified at initial recognition and measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired. This category is relevant to the Group. The Group's financial assets at amortised cost includes trade receivables, loans to employees and due from related parties included under other non-current financial assets.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Currently, the Group does not have any debt instruments at fair value through OCI.

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3. Material accounting policies (continued)**3.9 Financial instruments (continued)****(i) Financial assets (continued)****Financial assets designated at fair value through OCI**

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Currently, the Group does not have any equity investments designated at fair value through OCI.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognised in the consolidated statement of profit or loss.

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 its 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.

Impairment

The Group recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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3. Material accounting policies (continued)**3.9 Financial instruments (continued)****(ii) Financial liabilities*****Initial recognition and measurement***

Financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs. The Group's financial liabilities mainly include trade and other payables, accrued expenses, lease liabilities and non-controlling interest put option.

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost (lease liabilities, accrued expenses and trade payable).

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by International Financial Reporting Standard 9 - Financial Instruments ('IFRS 9').

Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

This category is relevant to the Group. After initial recognition, lease liabilities, accrued expenses and trade payables are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Gains and losses as a result of unwinding of interest cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated statement of profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

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3. Material accounting policies (continued)**3.10 Inventories**

Inventories are carried at the lower of cost and net realizable value. Cost is determined on the weighted average method. The cost of finished products includes the cost of raw materials, direct labor and manufacturing overheads and all other costs necessary to bring the goods to their existing condition and location.

Raw materials and spares are valued at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis.

Work in progress is measured using estimated manufacturing cost including appropriate overheads based on normal level of activity.

Goods-in-transit are valued at cost comprising invoice value plus other charges incurred thereon.

Net realisable value is the estimated selling price in ordinary course of business less the estimated cost of completion and the estimated costs necessary to make the sale.

3.11 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are amounts due from customers for services rendered in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Subsequent recoveries of amount previously written-off are credited to profit or loss.

3.12 Cash and cash equivalents

Cash and cash equivalents comprises of cash at banks and on hand and other short term highly liquid investments, with original maturities of three months or less from the purchase date and / or readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value.

3.13 Share capital

Ordinary shares are classified as equity.

3.14 Dividends

Dividends distributions to the Group's shareholders are recorded as a liability and fully paid from retained earnings in the period in which the dividends are approved by the Shareholders.

3.15 Trade payables

This comprises of trade payables and retention payables. Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost.

3. Material accounting policies (continued)**3.16 Accrued expenses and provisions**

Accrued expenses and other credit balances are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The fair value of a non-interest-bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in profit or loss, net of reimbursements.

3.17 Employee benefit obligations**Short-term employee benefits**

Provision is made for benefits accruing to employees in respect of salaries and wages, vacation leaves, ticket and other benefits when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within 12 months, if any, are measured at an undiscounted amount using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

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

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

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

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

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

3.18 Zakat and taxes**(i) Zakat and current income tax**

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

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3. Material accounting policies (continued)

3.18 Zakat and taxes (continued)

(i) Zakat and current income tax (continued)

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

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

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised.

Deferred tax assets and liabilities are not recognised for temporary differences arising from the initial recognition of assets and liabilities in a transaction that: (i) is not a business combination, (ii) affects neither the taxable profit nor accounting profit, and (iii) does not create equal and opposite deferred tax assets and liabilities. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Withholding tax

The Group withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value Added Tax

Expenses and assets are recognised net of the amount of valued added tax ("VAT"), except:

- When the VAT incurred on purchase of assets or services is not recoverable from the ZATCA, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, respectively.
- When receivables and payables are stated with the amount of VAT included. The net amount of VAT recoverable from / payable to the ZATCA is included as part of other assets or liabilities, respectively, in the consolidated statement of financial position.

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3. Material accounting policies (continued)**3.19 Revenue recognition**

The Group recognises revenues based on a five-step model as set out in IFRS 15 as follows:

IFRS 15 requires that revenue is recognised from contracts with customers based on a five-step model as follows:

- Identification of contracts with customer;
- Identification of performance obligations in the contract;
- Determination of transaction price;
- Allocation of transaction price to performance obligations in the contract; and
- Recognition of revenue when the Group satisfies the performance obligation at a point in time or over time.

The Group generates revenue from dairy and foodstuff product. Revenue is recognised when there is a contract with a customer for the transfer of dairy and other related products across various product categories and geographical regions. Revenue is recognised in the consolidated statement of profit or loss when a performance obligation is satisfied, at the price allocated to that performance obligation. This is defined as the point in time when control of the products has been transferred to the customer, the amount of revenue can be measured reliably, and collection is probable. The transfer of control to customers takes place according to trade agreement terms.

Delivery occurs when the goods have been acknowledged by the customer, the risks of obsolescence and loss have been transferred to the customer, the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Therefore, it meets the criteria to recognise revenue point in time.

A receivable is recognised when the goods are delivered or acknowledged by the customer as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. In determining the transaction price for the sale of goods, the Group considers the effects the existence of significant financing components, variable consideration, non-cash consideration and consideration payable to the customer (if any).

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates.

Revenue is recognised in the consolidated financial statements to the extent that it is probable that the economic benefits will flow to the Group and the revenue and costs, if and when applicable, can be measured reliably. Products are sold principally on a sale or return basis. Allowances for expected sales returns are calculated based on the forecasted return of expired products based on historical experience.

Expected sales returns are netted off against revenue with the corresponding impact in accrued expenses and other liabilities for credit sales.

For contracts that permit the customer to return an item, revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data.

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

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3. Material accounting policies (continued)**3.19 Revenue recognition (continued)**

The duration of contracts with customers is one year and all contracts are fixed priced contracts.

No element of financing component is deemed present as the sales are made either on cash or on credit terms consistent with market practice of 30 to 90 days.

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.

3.20 Cost of revenue

Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labour and other attributable overhead costs. Allocations between cost of revenue, selling and distribution expenses and general and administrative expenses when required, are made on a consistent basis.

3.21 Other operating expenses

Costs incurred in the distribution, marketing and selling of the Group's products and services are classified as selling and distribution expenses. All other expenses are classified as general and administrative expenses.

3.22 Segment reporting

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group to allocate resources and assess performance. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer (the "CEO"), (chief operating decision maker, CODM) (refer note 30). The CODM assesses the financial performance and position of the Group and makes strategic decisions.

An operating segment is group of assets and operations:

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

The Group has the following two strategic divisions, which are reportable segments and are defined and used by the CEO when reviewing the Group's performance. These divisions offer different products and services and are managed separately because of their different fundamentals.

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Drinks	Drink products of the Group include milk products and other drinks.
Non – drinks	Non drink products of the Group mainly include ice cream, tomato paste, cheese, and snacks.

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3. Material accounting policies (continued)**3.23 Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4. Critical accounting estimates and judgements

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

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

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

(i) Measurement of post-employment defined benefits

Post-employment defined benefits plans represent obligations that will be settled in the future due to services provided by the employees. These arrangements require actuarial valuations to measure these obligations. The Group is required to make assumptions regarding variables such as discount rates, rate of salary increase, longevity, attrition rates and future healthcare costs, as applicable. Changes in key assumptions can have a significant impact on the projected benefit obligations and subsequent employee defined benefit costs. The assumptions are reviewed at each reporting date.

Defined benefit obligations are discounted at a rate set by reference to relevant market yields at the end of the reporting period on high quality corporate or government bonds, if there is no deep market in such high quality corporate bonds. Judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the size of the bonds, quality of the corporate bonds and the identification of outliers which are excluded, if any. Refer to note 16 to these consolidated financial statements for assumptions used.

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

Extension and termination options are included in a number of leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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4. Critical accounting estimates and judgements (continued)

(ii) Right-of-use assets and lease liabilities (continued)

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

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

Extension and termination options are included in a number of leases of the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

The Group uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Group's historically observed rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information at each reporting date. The following components have a major impact on ECL allowance: definition of default, significant increase in credit risk, probability of default (PD), exposure at default (EAD) and loss given default (LGD), as well as models of macro-economic scenarios used as forward-looking information. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. A change of +1%/-1% in loss rate would increase/ (decrease) the ECL for the year by Saudi Riyals 2.84 million. The information about the ECL on the Group's trade receivables is disclosed in note 12.1 to these consolidated financial statements.

(iv) Useful lives of property, plant and equipment

The management determines the estimated useful lives of property, plant and equipment for computing depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates. At year-end, if the useful life increased / decreased by 1% against the current useful life with all other variables held constant, profit for the year would have been higher or lower by Saudi Riyals 18.12 million (2024: Saudi Riyals 29.82 million).

Refer to note 6 for further details of the carrying value of property, plant and equipment and depreciation expense.

(v) Allowance for inventory losses

The Group recognizes an allowance for inventory losses due to factors such as slow movement, dormancy, obsolescence, physical damage, etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the manufacturer, past trends and both existing and emerging market conditions. At year end, a 1% increase/ (decrease) in rate of allowance for inventory losses would decrease/ increase the reversal of provision for the year by Saudi Riyals 0.51 million (2024: increase/ decrease the provision charged for the year by Saudi Riyals 0.71 million).

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4. Critical accounting estimates and judgements (continued)

(vi) Estimation expected for return and variable consideration for volume rebates

The Group estimates expected returns and variable considerations to be included in the transaction price for the sale of goods with volume rebates for contracts that permit the customer to return an item, under IFRS 15 revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data.

Determining whether a customer will be likely entitled to rebate will depend on the customer's rebates entitlement and accumulated purchases. The Group applied most likely amount method for estimating expected volume rebates for contracts. Any significant changes in experience as compared to historical purchasing patterns and rebate entitlements of customers will impact the expected rebate percentages estimated by the Group.

The Group updates its assessment of expected returns and volume rebates annually and accordingly the accrued liabilities are adjusted. Estimates of expected returns and volume rebates are sensitive to changes in circumstances and the Group's past experience regarding returns and rebate entitlements and may not be representative of customers' actual returns and rebate entitlements in the future. The management has assessed that the impact of change in assumption will not result in a material impact in the consolidated statement of profit or loss.

(vii) Estimation of recoverable amount of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For details on the impairment assessment methodology, see notes 3.8 and 6.5.

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5. Group information

The consolidated financial statements of the Group include:

Name	Note	Relationship	Principal activities	Country of incorporation / % equity interest principal place as at December of business 31,	2025		Effective ownership interest held at December 31,	
					2025	2024	2025	2024
SADAFCO Bahrain Company LLC ("Sadafco Bahrain")	5.4, 5.5	Subsidiary	Distribution of foodstuff and dairy products	Bahrain	100%	100%	100%	100%
SADAFCO Jordan Foodstuff Company LLC ("Sadafco Jordan")	5.4	Subsidiary	Retail, trade and distribution of foodstuff and dairy products	Jordan	100%	100%	100%	100%
SADAFCO Kuwait Foodstuff Co. W.L.L ("Sadafco Kuwait")	5.2, 5.4	Subsidiary	Distribution of foodstuff and dairy products	Kuwait	49%	49%	100%	100%
Mlekoma Sp. z o.o.		Subsidiary	Retail, trade and distribution of dairy products	Poland	100%	100%	100%	100%

5.1 On November 17, 2024, SADAFCO Qatar W.L.L.'s shareholders (SADAFCO & Mohammed Al-Khulaifi) mutually approved a voluntary liquidation and agreed on the distribution of assets. Accordingly, the Group has accounted for the disposal of SADAFCO Qatar W.L.L. in its consolidated financial statements for the year ended December 31, 2024. During the year, on November 7, 2025, all required procedures for liquidation were completed.

5.2 The Group considers the Sadafco Kuwait as a 100% subsidiary as it holds 51% beneficial interest in the investee company through parties nominated by the Group.

5.3 At December 31, 2025, the Group's parent entity is Kuwait Projects Company Holding ("KIPCO") and Group's ultimate parent entity is Al Futtooh Holding Company K.S.C. (Closed), with both entities being based in Kuwait.

5.4 During the year, pursuant to a resolution on December 25, 2025, the Group's Board of Directors (the "Board") resolved to voluntarily liquidate three of its foreign subsidiaries namely, Sadafco Jordan, Sadafco Bahrain and Sadafco Kuwait to transition from operational to distribution model in these regions. Accordingly, the underlying assets of these subsidiaries are carried under assets and liabilities held for sale as at December 31, 2025. Please refer note 27 for details.

Subsequent to the year end, effective January 1, 2026, the Group entered into a distributor agreement with a Jordan based company.

5.5 The financial year end of the Company and its subsidiaries is December 31, except for Sadafco Bahrain which has a financial year end of March 31.

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6. Property, plant and equipment

The movement of property, plant and equipment is as follows:

	Land, buildings and leasehold improvements	Machinery and equipment	Vehicles and trailers	Furniture, fixtures and office equipment	Capital work- in-progress	Total
Cost						
As at January 1, 2025	746,839	1,329,831	275,729	127,981	60,840	2,541,220
Additions	1,113	549	146	-	162,753	164,561
Disposals	-	-	(4,633)	-	-	(4,633)
Write-off	(3,334)	(1,776)	-	(111)	-	(5,221)
Transfers to assets classified as held for sale (notes 6.5, 24 and 27)	(14,003)	(8,696)	(9,086)	(392)	-	(32,177)
Transfers from capital work-in-progress	26,515	60,144	29,933	3,030	(119,622)	-
Exchange differences	2,122	(1,256)	(2,563)	(13)	54	(1,656)
As at December 31, 2025	759,252	1,378,796	289,526	130,495	104,025	2,662,094
Accumulated depreciation and impairment loss						
As at January 1, 2025	331,670	883,329	224,455	107,402	-	1,546,856
Depreciation charge for the year	17,486	63,504	16,677	6,064	-	103,731
Impairment charge for the year (note 6.5)	839	15,099	-	421	-	16,359
Disposals	-	-	(3,917)	-	-	(3,917)
Write-off	(3,222)	(1,845)	-	(89)	-	(5,156)
Transfers to assets classified as held for sale (notes 6.5, 24 and 27)	(10,365)	(4,174)	(6,995)	(383)	-	(21,917)
Exchange differences	(1,207)	(348)	(4,145)	(218)	-	(5,918)
As at December 31, 2025	335,201	955,565	226,075	113,197	-	1,630,038
Net book value:						
As at December 31, 2025	424,051	423,231	63,451	17,298	104,025	1,032,056

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6. Property, plant and equipment (continued)

	Land, buildings and leasehold improvements	Machinery and equipment	Vehicles and trailers	Furniture, fixtures and office equipment	Capital work- in-progress	Total
Cost						
As at January 1, 2024	660,169	1,286,805	282,406	126,921	14,285	2,370,586
Additions	84,351	921	-	4	119,229	204,505
Disposals	(1,147)	(10,468)	(16,806)	(593)	-	(29,014)
Write-off	-	-	-	-	(796)	(796)
Transfers	5,719	54,024	9,958	2,118	(71,819)	-
Exchange differences	(2,253)	(1,451)	171	(469)	(59)	(4,061)
As at December 31, 2024	746,839	1,329,831	275,729	127,981	60,840	2,541,220
Accumulated depreciation						
As at January 1, 2024	313,946	836,061	223,413	101,402	-	1,474,822
Charge for the year	20,133	58,306	17,266	6,831	-	102,536
Disposals	(1,066)	(9,802)	(16,325)	(515)	-	(27,708)
Exchange differences	(1,343)	(1,236)	101	(316)	-	(2,794)
As at December 31, 2024	331,670	883,329	224,455	107,402	-	1,546,856
Net book value:						
As at December 31, 2024	415,169	446,502	51,274	20,579	60,840	994,364

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6. Property, plant and equipment (continued)

6.1 Depreciation charge for the year has been allocated as follows:

	Note	2025	2024
Cost of revenue	21	69,440	65,704
Selling and distribution expenses	22	30,160	31,574
General and administrative expenses	23	2,605	2,717
		102,205	99,995
Discontinued operations	27	1,526	2,541
		103,731	102,536

6.2 Capital work in progress as at December 31, 2025 includes advance payments to suppliers for purchase of machinery and vehicles and associated costs as well as the costs incurred related to leasehold improvements during the year, which is expected to be completed during 2026.

6.3 During the year, the Group carried out an exercise to reassess the useful lives and residual values of certain of its plant and machinery due to the decision of replacing those production lines with new and advanced lines by end of the year 2026. As a result of the exercise done by the management, the Group revised the residual values, whereas the revised remaining useful lives were determined to be in the range of 10 to 15 months.

The change in estimated useful lives has resulted in an increase in depreciation expenses. The impact of the adjustment amounted to Saudi Riyals 2.22 million on the cost of revenue for the current year. The effect of change in estimate for future periods is estimated to be Saudi Riyals 7.44 million over the remaining useful life.

6.4 No items of Group's property, plant and equipment are pledged as collateral or security under any arrangements with external parties as of reporting date.

6.5 Impairment

During the year ended December 31, 2025, management performed an impairment assessment on certain cash generating units following a review of operational developments and strategic considerations during the period. The assessment covered:

- the ice-cream factory CGU, where changes in the use of certain assets were identified following the commissioning of a new facility;
- the production lines CGU, reflecting adjustments to production and procurement strategies in response to market conditions; and
- the depots CGU, following the rationalisation of certain locations.

Based on this assessment, the recoverability of the related assets was evaluated. No impairment indicators were noted for other CGUs.

For the purpose of impairment testing of the non-financial assets, the underlying assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. The Group has determined the recoverable amounts of CGUs by assessing the fair value less cost of disposal (FVL COD) of the underlying assets. The valuation is considered to be Level 3 in the fair value hierarchy due to unobservable inputs used in the valuation.

The impairment assessment resulted in the recognition of impairment losses across the three CGUs, as follows:

- a) For the ice-cream factory CGU, comprising machinery and equipment, and furniture, fixtures and office equipment, the carrying amount of Saudi Riyals 5.19 million has a recoverable amount, based on fair value less costs of disposal, of Saudi Riyals 0.53 million, resulting in an impairment loss of Saudi Riyals 4.66 million.

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6. Property, plant and equipment (continued)**6.5 Impairment (continued)**

- b) In respect of the production lines CGU, which includes machinery and equipment and land, buildings and leasehold improvements, the carrying amount of Saudi Riyals 10.75 million was assessed against a recoverable amount of Saudi Riyals 0.45 million, leading to an impairment loss of Saudi Riyals 10.31 million.
- c) For the depots and related assets CGU, consisting of machinery and equipment and furniture, fixtures and office equipment, the carrying amount of Saudi Riyals 1.39 million was fully impaired, as no recoverable amount was identified.

Accordingly, the total impairment loss recognised during the year amounted to Saudi Riyals 16.36 million.

Impairment charge for the year has been allocated as per the underlying nature of the CGU as follows:

	Note	2025	2024
Cost of revenue	21	14,970	-
Selling and distribution expenses	22	852	-
		15,822	-
Discontinued operations	27	537	-
		16,359	-

Valuation methodology

The Group engaged an independent valuer who applied the residual value approach in accordance with IFRS 13.

Valuations were reviewed by the finance team, with oversight from the Chief Financial Officer (the “CFO”), including verification of key inputs, comparison to prior-year valuations and discussions with the valuer/manufacturer. Fair value measurements were classified as Level 3 due to significant unobservable inputs.

Key assumptions included estimating replacement cost, benchmarking residual values of similar assets, estimating the residual value factor of the assets under consideration, and correlation of determined replacement costs to residual values. Sensitivity analysis indicates that a 1% change in residual value assumption would change the impairment loss by approximately Saudi Riyals 0.01 million. Management noted no other reasonably possible changes that would cause carrying values to exceed recoverable amounts.

7. Leases

The Group leases various stores, offices and vehicles. Rental contracts are typically made for fixed periods of 2 to 35 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and corresponding liability at the date on which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of liability for each period. The Group's weighted average incremental borrowing rate applied to the lease liabilities ranges from 2.56% to 8.02% (2024: 2.56% to 8.07%).

Amounts recognized in the consolidated statement of financial position in respect of right-of-use assets and lease liabilities is as follows:

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7. Leases (continued)

7.1 Right-of-use assets

	Land	Buildings	Vehicles	Total
As at January 1, 2024	39,402	3,887	19,194	62,483
Additions	1,870	-	549	2,419
Depreciation charge for the year	(2,640)	(2,746)	(6,914)	(12,300)
Exchange difference	-	(16)	(28)	(44)
Carrying amount as at December 31, 2024	38,632	1,125	12,801	52,558
Additions *	21,136	20,486	11,806	53,428
Depreciation charge for the year	(3,141)	(1,925)	(9,097)	(14,163)
Terminations	(36)	(610)	-	(646)
Transfers to assets classified as held for sale (note 27)	-	(715)	-	(715)
Exchange difference	-	-	108	108
Carrying amount as at December 31, 2025	56,591	18,361	15,618	90,570

*Additions during the year include initial direct costs paid as part of entering into new leases for land and buildings amounting to Saudi Riyals 20.40 million (2024: Nil).

7.2 Lease liabilities

Movement in lease liabilities during the year is as follows:

	2025	2024
Lease liability at beginning of the year	53,274	64,033
Additions	33,033	2,419
Payments made during the year	(18,246)	(15,329)
Finance costs charged during the year	3,446	2,684
Terminations	(897)	-
Transfers to liabilities associated with transfers to assets classified as held for sale (note 27)	(584)	-
Exchange differences	365	(533)
Lease liabilities at end of the year	70,391	53,274

Contractual undiscounted cashflows pertaining to lease liabilities as of December 31, 2025 and December 31, 2024, are disclosed in note 32.

Lease liabilities as at December 31, 2025, and December 31, 2024, is divided into current and non-current portion as follows:

	2025	2024
Current	12,819	10,049
Non-current	57,572	43,225
	70,391	53,274

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7. Leases (continued)

7.2 Lease liabilities (continued)

The aging of minimum lease payments together with the present value of minimum lease payments are as follows:

	December 31, 2025	December 31, 2024	
	Minimum lease payments	Present value of payments	Minimum lease payments
Less than one year	15,871	13,228	9,981
One to five years	38,754	31,522	22,015
More than five years	36,530	25,641	42,587
Total	91,155	70,391	74,583
Less: financial charges	(20,764)	-	(21,309)
	70,391	70,391	53,274
			53,274

7.3 Amounts recognised in the consolidated statement of profit or loss is as follows:

	2025	2024
Depreciation charge on right-of-use assets	14,163	12,300
Finance costs on lease liabilities	3,446	2,684
Expense relating to short term leases (included in cost of revenue – Note 21, selling and distribution expenses – Note 22 and general and administrative – Note 23)	15,406	17,784

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

	Note	2025	2024
Cost of revenue	21	1,799	1,488
Selling and distribution expenses	22	10,819	8,339
General and administrative expenses	23	931	982
		13,549	10,809
Discontinued operations	27	614	1,491
		14,163	12,300

Finance cost on lease liability on discontinued operations amounts to Saudi Riyal 0.06 million (2024: Saudi Riyals 0.05 million).

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8. Intangible assets

The movement of intangible assets during the year is as follows:

	Software	Capital work-in-progress	Total
Cost:			
As at January 1, 2024	-	6,170	6,170
Additions	646	2,029	2,675
Transfers	7,143	(7,143)	-
As at December 31, 2024	7,789	1,056	8,845
Additions	77	9,981	10,058
Transfers	755	(755)	-
As at December 31, 2025	8,621	10,282	18,903
Accumulated amortization			
As at January 1, 2024	-	-	-
Amortisation during the year	31	-	31
As at December 31, 2024	31	-	31
Amortization during the year	1,580	-	1,580
As at December 31, 2025	1,611	-	1,611
Carrying amount:			
As at December 31, 2025	7,010	10,282	17,292
As at December 31, 2024	7,758	1,056	8,814

Amortisation on intangible assets for the year has been allocated as follows:

	2025	2024
Cost of revenue	1,147	-
Selling and distribution expenses	4	-
General and administrative expenses	429	31
	1,580	31

9. Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise of the following:

	2025	2024
Investment in sukuk	38,904	87,138

9.1 The Group invested Saudi Riyals 38 million in Tier 1 Sukus, issued by Al Rajhi Bank, with a face value of Saudi Riyals 1,000 each certificate. The Sukus carry mark-up of 5.5% per annum and are classified at fair value through profit or loss. The Sukus are listed on Tadawul and are being actively traded in the market. The fair value of the Sukus as at December 31, 2025, is Saudi Riyals 1,023.8 (December 31, 2024: Saudi Riyals 1,001) per certificate.

9.2 During the year ended December 31, 2025, the Group has divested its investment in sukus, issued by Emkan Finance Company, amounting to Saudi Riyals 50 million and having a face value of Saudi Riyals 1,000 each. The Sukuk carried a mark-up of 5.1% per annum and was classified at fair value through profit or loss. The Sukuk was sold at Saudi Riyals 50 million (Saudi Riyals 1,000 per certificate).

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9. Financial assets at fair value through profit or loss (continued)

9.3 Information about the Group's exposure to credit and market risks, and fair value measurement, is included in Note 32 and Note 34, respectively.

10. Inventories

Inventories comprise of the following:

	2025	2024
Raw materials	297,209	308,896
Packing materials	45,624	27,710
Finished goods	154,810	147,295
Spare parts, supplies and others	14,138	14,360
Goods-in-transit	40,667	28,644
	552,448	526,905
Less: Provision for inventories (note 10.1)	(50,483)	(70,663)
	501,965	456,242

10.1 Movement in the provision for inventories is as follows:

	2025	2024
Balance at beginning of the year	70,663	41,137
(Reversal of provision)/impairment charge for the year	(20,180)	29,526
Balance at end of the year	50,483	70,663

10.2 Provision for inventories is based on the nature of inventories, ageing profile, their expiry, and sales expectation based on historical trends and other qualitative factors.

11. Prepayments and other receivables

Prepayments and other receivables comprise of the following:

	2025	2024
Prepayments	18,467	19,193
Advances to employees	17,608	16,717
Advances to suppliers	13,316	19,393
Security deposits and others	5,336	17,807
	54,727	73,110

12. Trade receivables

Trade receivables comprise of the following:

	2025	2024
Trade receivables	336,195	315,201
Less: Allowance for impairment of trade receivables (note 12.1)	(17,325)	(25,978)
	318,870	289,223

Trade receivables are non-interest bearing and are classified as financial assets measured at amortised cost.

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12. Trade receivables (continued)

12.1 The movement in allowance for impairment of trade receivables is as follows:

	2025	2024
Balance at beginning of the year	25,978	29,017
Reversal of impairment charge for the year	(3,656)	(3,039)
Transfers to assets classified as held for sale	(4,246)	-
Exchange differences	(751)	-
Balance at end of the year	17,325	25,978

The Group does not obtain collateral over receivables, and the vast majority of receivables are, therefore, unsecured. However, unimpaired receivables are expected to be recoverable based on past experience. Refer note 32 on the credit risk of trade receivables, which explains how the Group manages and measures the credit quality of trade receivables.

Trade receivables include Saudi Riyals 0.23 million (2024: Saudi Riyals 0.32 million) due from related parties (note 29).

Allowance for impairment of trade receivables for the year on discontinued operations includes an amount of Saudi Riyal 1.18 million (2024: Saudi Riyal 0.17 million).

13. Short-term investments

Short-term investments comprise of the following:

	2025	2024
Short-term Murabaha deposits	140,623	222,752
a) Short-term Murabaha deposits represent deposits with local banks that have an original maturity of more than three months and less than twelve months from the investment date.		
b) Short-term Murabaha deposits earn commission ranges from 4.80% to 5.78% per annum for the year ended December 31, 2025 (December 31, 2024: 5.15% to 5.55% per annum).		
c) The investments are made with banks having sound credit ratings of Aa3 based on Moody's credit ratings.		

14. Cash and cash equivalents

Cash and cash equivalent as at December 31 comprise of the following:

	2025	2024
Cash in hand	1,100	12,535
Cash at banks	46,610	53,942
Short-term Murabaha deposits with original maturity of less than three months	416,521	401,319
	464,231	467,796

- a) Short-term murabaha deposits earn commission ranges from 4.20% to 5.60% per annum for the year ended December 31, 2025 (December 31, 2024: 4.8% to 5.8% per annum).
- b) At December 31, the carrying value of bank balances (included above) and short-term murabaha deposits represent its maximum exposure to credit risk without taking into account any collateral and other credit enhancement, and none of the balances were considered impaired at the reporting date.

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15. Capital and reserves**15.1 Share capital**

At December 31, 2025 and 2024, the Company share capital is Saudi Riyals 325 million consists of 32.5 million fully paid shares of Saudi Riyals 10 each (December 31, 2024: Saudi Riyals 325 million consists of 32.5 million shares of Saudi Riyals 10 each). The Company's share capital includes treasury shares acquired during the years ended December 31, 2019 and 2025.

15.2 Treasury shares reserve

The reserves for the Company's treasury shares comprise, the cost of the Company's shares held by the Company.

On December 17, 2024, the Company's shareholders in their Extraordinary General Assembly Meeting approved buy-back of treasury shares valid till December 17, 2025. The movement in treasury shares reserve is as follows:

	Number of treasury shares	Year of buy-back	Average price (Saudi Riyals)	2025	2024
Balance at beginning of the year	500,250	2019	103.12	51,559	51,559
Purchases during the year	40,123	2025	251.95	10,109	-
Balance at the end of the year	<u>540,373</u>			<u>61,668</u>	<u>51,559</u>

15.3 Other reserve

Pursuant to Company's By-laws, the Company had created a voluntary 'other reserve' based on shareholders resolution whereby the Company transfers ten percent of its profit attributable to owners of the Company each year. During 2024, the Board, in its meeting held on September 17, 2024, recommended transferring the balance of the other reserve to the retained earnings. Extraordinary General Assembly then approved the transfer of other reserve to retained earnings in its meeting held on December 12, 2024.

15.4 Statutory reserve

The statutory reserve included in the consolidated financial statements as of December 31, 2023, was required under the Company's previous By-laws. However, following amendments to the Company's By-laws during the year ended December 31, 2024, the requirement to set aside a statutory reserve has been removed. During 2024, the Board, in its meeting held on September 17, 2024, recommended transferring the balance of the statutory reserve to the retained earnings. Extraordinary General Assembly then approved the transfer of statutory reserve to retained earnings in its meeting held on December 12, 2024.

15.5 Foreign currency translation reserve

The reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

16. Employee benefit obligations

The Group operates an approved unfunded employees end of service benefit plan ("EOSB") for its employees as required by the Saudi Arabia Labor law. The entitlement to these benefits, is based upon the employees' last drawn salary and length of service, subject to completion of minimum service period.

An independent actuarial exercise has been conducted by the Group as of December 31, 2025, and December 31, 2024, to ensure the adequacy of the provision for employees end of service benefits in accordance with the rules stated under Saudi Arabian labor law by using the projected unit credit method.

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16. Employees benefit obligations (continued)

i) Movement in defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance of employees' end of service benefits:

	2025	2024
Balance at beginning of the year	158,487	154,054
Current service cost and finance cost included in consolidated statement of profit or loss		
Service cost	20,547	17,556
Finance cost	8,512	7,133
	29,059	24,689
Included in other comprehensive income		
- Actuarial gain due to experience adjustment	(2,300)	(3,611)
Other		
Benefits paid	(12,259)	(16,645)
Transfers to liabilities associated with assets classified as held for sale (note 27)	(1,966)	-
Exchange differences	71	-
Balance at end of the year	171,092	158,487

ii) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	2025	2024
Discount rate %	5.46%	5.65%
Future salary growth %	5.46%	5.65%

Assumptions relating to future mortality is based on published statistics and mortality tables. The weighted average duration of the defined benefit obligation as at December 31, 2025, is 9.98 years (December 31, 2024: 10.09 years).

iii) Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2025		2024	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	(7,642)	8,291	(7,463)	7,304
Future salary growth (0.5% movement)	8,646	(8,035)	7,631	(7,826)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

iv) Maturity analysis

Following is the undiscounted maturity profile of the employee benefit obligations:

Particulars	2025	2024
Within 1 year	17,653	15,900
1 to 2 years	9,389	7,999
2 to 5 years	36,789	36,389
More than 5 years	252,015	238,592

v) Expected consolidated current service cost and finance cost for the following year amounts to Saudi Riyals 28.68 million (2024: Saudi Riyals 26.30 million).

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17. Trade and other payables

Trade and other payables comprise of the following:

	2025	2024
Trade payables	201,122	186,503
Other payables	97,444	65,605
	298,566	252,108

The Group has a supplier finance arrangement under which a third-party finance provider offers, at the discretion of participating suppliers, early settlement of approved trade invoices. Under the arrangement, the finance provider pays the supplier, and the Group settles the related liability with the finance provider on the invoice due date.

The arrangement does not change the underlying commercial terms agreed with suppliers, nor does it modify the timing or amount of the Group's payment obligations to suppliers or finance providers. Accordingly, the related balances continue to be classified within trade payables and are presented within the same line item as other trade payables.

At December 31, 2025, trade payables of Saudi Riyals 51.37 million (2024: Saudi Riyals 57.32 million) are included under this arrangement. The payment terms for these liabilities remain consistent with those for other trade payables not included in the arrangement and fall within the same range of payment due dates as comparable trade payables outside the arrangement.

The Group has not provided guarantees or collateral to the finance provider, and there are no covenants or other conditions that would affect its access to the facility.

The Group monitors the arrangement for changes in terms or usage levels that may require reassessment of classification or additional disclosures under IAS 7 and IFRS 7, including the effects of the arrangement on the Group's liabilities, cash flows and exposure to liquidity risk.

18. Accrued expenses and other liabilities

Accrued expenses and other liabilities comprise of the following:

	2025	2024
Marketing related accruals	106,253	89,532
Employee related accruals	106,026	101,876
Rent and utility accruals	59,190	63,467
Value added tax payable	13,409	12,664
Other accruals	85,447	84,271
	370,325	351,810

19. Zakat and income tax**19.1 Components of zakat base**

On Ramadan 12, 1445H (corresponding to March 22, 2024), the new Regulations for Zakat collection (“Revised ZATCA Regulations”) were approved with effect from fiscal years starting on or after January 1, 2024. The Revised ZATCA Regulations clarified certain zakat compliance requirements and zakat calculation methods particularly related to zakat base calculation.

During 2024, the Group adopted the New Zakat, Tax, and Customs Authority (“ZATCA”) Regulations and has accordingly computed the zakat base and the zakat liability in accordance with the new guidelines.

The Company files its zakat declaration on a consolidated basis. The significant components of the zakat base of the Company and its subsidiaries, which are subject to zakat under zakat and income tax regulations, are principally comprised of shareholders' equity, provisions at beginning of the year, and adjusted net profit, less deduction for the net book value of property, plant and equipment and certain other items.

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19 Zakat and income tax (continued)**19.1 Components of zakat base** (continued)

	2025	2024
Shareholders' equity at the end of the year	1,742,709	1,807,250
Provision at the end of the year	171,092	158,487
Non-current liabilities at the end of the year	46,669	26,290
Non-current deductible assets at the end of the year	(1,097,678)	(1,138,824)
Excess of current liabilities over current assets	-	-
Approximate zakat base	862,792	853,203
Zakat base computed at a ratio of 365/354 (2024: 366/354)	889,602	882,125
Minimum limit (i.e. profit for the year)	513,402	507,062
Maximum limit (i.e. net equity)	1,772,586	1,836,300
Zakat base as per the new regulations	889,602	882,125
Zakat provision for the year	26,300	22,801

19.2 Charge for the year

The charge for the year consists of the following:

	2025	2024
Zakat charge	26,300	22,801
(Reversal of income tax charge)/ income tax charge	(886)	1,098
	25,414	23,899

19.3 Accrued Zakat and income tax

The movement in Zakat and income tax payable is as follows:

	Zakat	Income tax	Total
At January 1, 2024	27,827	-	27,827
Charge for the year	22,801	1,098	23,899
Payments during the year	(26,293)	(1,098)	(27,391)
At December 31, 2024	24,335	-	24,335
Charge/(reversal of charge) for the year	26,300	(886)	25,414
(Payments) / refund during the year	(25,108)	886	(24,222)
At December 31, 2025	25,527	-	25,527

19.4 Status of assessments**Zakat on the Company and other GCC based subsidiaries**

Zakat assessments for the years up to year ended December 31, 2023, have been finalized with Zakat, Tax and Customs Authority (ZATCA). The Company has filed its Zakat return for the year ended December 31, 2024 and received a Zakat certificate valid until April 30, 2026.

Income tax on Mlekoma Sp z.o.o.

Mlekoma Sp. z o.o. filed its income tax returns for all years up to 2025 and settled its tax liabilities accordingly.

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19. Zakat and income tax (continued)**19.4 Status of assessments (continued)****Income tax on Sadafco Jordan**

Income tax assessments for the years up to year ended December 31, 2020, have been finalized with the tax authorities. Sadafco Jordan has filed its income tax returns for all years up to 2024 with the tax authorities.

19.5 Pillar Two

In 2021, the OECD's Inclusive Framework (IF) on Base Erosion and Profit Shifting (BEPS) agreed on a two-pillar solution to address tax challenges arising from the digitalization of the economy. They introduced a Global Anti-Base Erosion Model Rules (Pillar Two) ("GloBE Rules") under which multinational entities (MNE Groups) with consolidated revenue exceeding EUR750 million are subject to a minimum effective tax rate (ETR) of 15% in each jurisdiction where they operate. The GloBE Rules operate through three primary charging mechanisms: the Domestic Minimum Top Up Tax (DMTT), the Income Inclusion Rule (IIR), and the Undertaxed Profits Rule (UTPR).

SADAFCO forms part of an MNE Group headquartered in Kuwait which constitute as the Ultimate Parent Entity (UPE) and is therefore within the scope of the OECD BEPS Pillar Two framework.

The Group operates in several jurisdictions in which Pillar Two legislation became effective in 2025, including Bahrain, Kuwait, and Poland. The UPE has performed a preliminary assessment of the Group's potential exposure to Pillar Two income taxes in these jurisdictions. Based on this assessment, the jurisdictions in which the Group operate and where Pillar Two legislation has been enacted are in a GloBE loss position.

The Group continues to monitor legislative developments in Kingdom of Saudi Arabia and Jordan to evaluate any future impact on the consolidated financial statements of the Group.

20. Revenue

Revenue for the year comprise of the following:

	2025	2024
Revenue from sale of drink products	1,614,118	1,558,524
Revenue from sale of non-drink products	1,385,282	1,299,128
	2,999,400	2,857,652

Disaggregation of revenue from contracts with customersPrimary geographical markets

	2025	2024
Kingdom of Saudi Arabia	2,316,323	2,327,506
Outside Kingdom of Saudi Arabia	683,077	530,146
	2,999,400	2,857,652

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21. Cost of revenue

Cost of revenue for the year comprise of the following:

	Note	2025	2024
Material costs		1,645,568	1,402,727
Employee costs		136,167	142,543
Depreciation on property, plant and equipment	6	69,440	65,704
Others		214,281	204,953
		2,065,456	1,815,927

22. Selling and distribution expenses

Selling and distribution expenses for the year comprise of the following:

	Note	2025	2024
Employee costs		218,080	204,861
Advertising and sales promotion		104,707	144,188
Depreciation on property, plant and equipment	6	30,160	31,574
Depreciation on right-of-use assets	7	10,819	8,339
Fuel and transportation costs		15,892	13,125
Others		63,942	56,183
		443,600	458,270

23. General and administrative expenses

General and administrative expenses for the year comprise of the following:

	Note	2025	2024
Employee costs		70,239	66,145
Professional and legal charges		18,415	6,469
Subscription costs		9,175	7,833
Directors' remuneration and other benefits	29	5,866	6,014
Others		17,783	24,439
		121,478	110,900

24. Other operating income

Net other operating income for the year comprise the following:

	2025	2024
Gain on sale of property (note 24.1)	107,417	-
Other income	2,488	2,047
	109,905	2,047

24.1 Gain on sale of property

During the year, the group disposed a property, which was originally used for warehousing operations, and later vacated.

25. Finance income

Finance income for the year comprise of the following:

	2025	2024
Finance income on Murabaha and other certificates	31,555	39,211
Finance income on financial assets at FVTPL	2,445	10,476
	34,000	49,687

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26. Finance costs

Finance costs for the year comprise of the following:

	Note	2025	2024
Finance cost on lease liability	7	3,386	2,634
Others		815	8,171
		4,201	10,805

27. Discontinued operations**Voluntary liquidation of foreign subsidiaries – Disposal group**

On December 25, 2025, the Group's Board resolved to voluntarily liquidate its foreign subsidiaries in Jordan, Kuwait and Bahrain and transitioned the operations to distribution model in those regions. The appointment of liquidators on such entities are subject to ongoing legal formalities. The underlying assets of each entity are assessed by the Group to be sold to distributors, repurposed for the use of the Group or written off. The process of disposals are expected to be completed within one year.

As a result, the subsidiaries namely, Sadafco Jordan, Sadafco Kuwait and Sadafco Bahrain have been presented as 'discontinued operations' under IFRS 5 'Non-current Assets classified as held for sale and Discontinued Operations' in these consolidated financial statements which are related to both drinks and non-drinks segments.

27.1 Financial performance and cash flow information

Following table presents the financial performance of discontinued operation for the following periods:

For the years ended December 31,	2025	2024
Revenue	65,410	105,230
Cost of revenue	(58,187)	(88,388)
Gross profit	7,223	16,842
Selling and distribution expenses	(16,227)	(25,495)
General and administrative expenses	(620)	(889)
Impairment on financial assets	(1,176)	(172)
Other operating income	290	163
Operating loss	(10,510)	(9,551)
Finance costs	(89)	(82)
Loss before zakat and income tax	(10,599)	(9,633)
Income tax expense		
Loss from discontinued operations	(10,599)	(9,633)

Loss before zakat and income tax from discontinued operations, as presented in the consolidated statement of cash flows, amounted to Saudi Riyals 10.60 million including the fair value re-measurement required on assets classified as held for sale. Following table presents the cash flow information of discontinued operation for the following periods:

For the years ended December 31,	2025
Net cash used in operating activities	(7,222)
Net cash used in investing activities	(146)
Net cash used in financing activities	(684)
Net decrease in cash and cash equivalents	(8,052)

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27. Discontinued operations (continued)**27.2 Assets and liabilities of disposal group classified as held for sale**

The carrying amounts of assets and liabilities of disposal group classified as held for sale were:

	2025
Assets classified as held for sale	
Property, plant and equipment	7,427
Right-of-use assets	715
Inventories	4,181
Prepayments and other receivables	4,896
Trade receivables	8,635
Cash and cash equivalents	<u>4,488</u>
Total assets	<u>30,342</u>
Liabilities relating to assets classified as held for sale	
Employee benefit obligations	1,966
Trade and other payables	2,156
Accrued expenses and other liabilities	1,884
Current portion of lease liabilities	584
Total liabilities	<u>6,590</u>
Net assets	<u>23,752</u>

28. Basic and dilutive earnings per share

28.1 Basic earnings per share ("EPS") is calculated by dividing profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue outstanding during the year.

	2025	2024
The weighted average number of ordinary shares for the purposes of basic and diluted earnings (Note 28.2)	<u>31,993</u>	32,000
Profit for the year from continuing operations attributable to owners of the Company	<u>487,988</u>	493,320
Basic and diluted earnings per share based on profit for the year from continuing operations attributable to owners of the Company (Saudi Riyals)	<u>15.25</u>	15.42
Profit for the year attributable to owners of the Company	<u>477,389</u>	483,687
Basic and diluted earnings per share based on profit for the year attributable to owners of the Company (Saudi Riyals)	<u>14.92</u>	15.12

28.2 Weighted average number of ordinary shares in issue is calculated as follows:

	2025	2024
Issued ordinary shares at beginning	32,500	32,500
Effect of treasury share held	<u>(507)</u>	(500)
Weighted average number of ordinary shares outstanding at end	<u>31,993</u>	32,000

The diluted EPS is same as the basic EPS as the Group does not have any dilutive instruments in issue.

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29. Related party transactions and balances

Related party transactions were undertaken in the ordinary course of business at commercially agreed terms and were approved by the management. For the purpose of these consolidated financial statements, related parties that are identified as affiliates of the Group includes entities which are subsidiaries and associates of KIPCO Group and key management personnel including close family members. Key management personnel include the CEO, CFO and other executives of the Group.

Significant related party transactions and balances for the years ended December 31, 2025 and 2024, including balances arising there-from are described as follows:

29.1 Due to related parties:

Transaction with	Nature of transaction	Transactions with related parties		Closing balance	
		2025	2024	2025	2024
PKC Advisory (associate of parent company)	Consultancy services	1,825	1,759	12	-
Alternative Energy Projects Co. (associate of parent company)	Purchase and installation of solar energy systems	72	125	18	18
		30	18		

29.2 Due to related parties under accrued and other liabilities:

Transaction with	Nature of transaction	Transactions with related parties		Closing balance	
		2025	2024	2025	2024
Board of Directors and other committees	Remuneration	5,215	5,043	5,215	5,043

29.3 Due from related parties under trade receivables:

Transaction with	Nature of transaction	Transactions with related parties		Closing balance	
		2025	2024	2025	2024
Specialized Food Services (subsidiary of a major shareholder)	Sale of goods	1,455	1,894	229	320

29.4 Compensation of key management personnel of the Group

	2025	2024
Short-term employee benefits	13,141	12,895
Employee benefit obligations	396	535
Total compensation paid to key management personnel	13,537	13,430

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30. Segment information**30.1 Operating segments**

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units include different products and are managed separately because they require different marketing strategies. The Group's CEO is the Chief Operating Decision Maker (CODM) and monitors the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit/(loss) before zakat and income tax for each segment.

Segment results that are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

For each of the segments, the CODM reviews internal management reports on a regular basis. No operating segments have been aggregated to form the above reportable segments.

The drinks segment represents milk and other drinks, while non-drinks represent mainly ice cream, tomato paste, cheese, and snacks.

During the year ended December 31, 2025, the Group reassessed the composition of the CODM, and the measures of segment information that are regularly reviewed by the CODM to monitor the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment.

Accordingly, the Group determined that the CEO serves as the CODM. Previously the Board and the CEO were identified as the CODM collectively, but the Board is comprised exclusively of non-executive directors indicating its governance role, while the CEO is primarily responsible for assessing performance and allocating resources. This has not changed the segments identified or the basis of the segmental information presented as the same information is used by the CEO as is reported to the Board. Separately, the Group has removed segmental asset and liability information from the CODM reporting pack as it is not used to assess performance and allocate resources. Consequently, the Group has ceased disclosing this information in its consolidated financial statements given the focus of IFRS 8 – Operating Segments on disclosure of information used by the CODM.

The following table presents segment information for the year ended December 31:

	Drinks	Non-drinks	Unallocated	Total
December 31, 2025				
Segment profit or loss				
Segment revenue	1,614,118	1,401,221	-	3,015,339
Inter-segment revenue	-	(15,939)	-	(15,939)
Revenue from external customers	1,614,118	1,385,282	-	2,999,400
Profit before zakat and income tax	255,128	112,051	146,223	513,402
Depreciation and amortization	71,438	45,896	-	117,334
Impairment	3,541	12,281	-	15,822
Finance income	-	-	34,000	34,000
Finance cost	2,065	2,136	-	4,201
Reversal of impairment on financial assets	-	-	4,832	4,832

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30. Segment information (continued)

30.1 Operating segments (continued)

	Drinks	Non-drinks	Unallocated	Total
December 31, 2024				
Segment profit or loss				
Segment revenue	1,558,525	1,350,367	-	2,908,892
Inter-segment revenue	-	(51,240)	-	(51,240)
Revenue from external customers	1,558,525	1,299,127	-	2,857,652
Profit before zakat and income tax	279,112	183,823	53,760	516,695
Depreciation and amortization	58,065	52,770	-	110,835
Finance income	-	-	49,687	49,687
Finance cost	2,206	7,737	862	10,805
Reversal of impairment on financial assets	-	-	3,211	3,211

The management has categorised its geographical operations as follows:

Geographic information	2025	2024
Revenue from external customers		
Kingdom of Saudi Arabia	2,316,323	2,327,506
Poland	461,867	355,862
Other Gulf Cooperation Council (GCC) countries	90,906	60,993
Others	130,304	113,291
	2,999,400	2,857,652
Non-current assets		
Kingdom of Saudi Arabia	1,104,411	1,012,657
Poland	35,507	31,561
Other GCC countries	-	4,333
Others	-	7,185
	1,139,918	1,055,736

31. Financial instruments

31.1 Financial assets

	Note	2025	2024
Financial Assets			
Financial assets measured at fair value			
Financial assets at FVTPL	9	38,904	87,138
Financial assets measured at amortised cost			
Trade receivables	12	318,870	289,223
Short term investments	13	140,623	222,752
Cash and cash equivalents	14	464,231	467,796
Other receivables	11	22,944	34,524
Total financial assets		985,572	1,101,433

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31. Financial instruments (continued)**31.1 Financial assets (continued)**

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

31.2 Financial liabilities

	Note	2025	2024
Financial liabilities not measured at fair value			
Trade and other payables	17	298,566	252,108
Accrued expense and other liabilities	18	356,916	339,146
Lease liabilities	7	70,391	53,274
Dividend payables		4,350	4,715
Due to related parties	29	30	18
Total financial liabilities		730,253	649,261

The carrying amount of financial assets and liabilities approximates their fair value.

31.3 Financial instruments carried at fair value

a) Valuation techniques used to determine fair values

The following tables show the valuation techniques used in measuring Level 2 fair values for financial instruments in the consolidated statement of financial position, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter relationship between Significant unobservable inputs and fair value measurement
Financial assets at FVTPL - Unquoted	<p>The Group has used specific valuation technique to value Financial assets at FVTPL in unquoted sukuks by deriving the mark to model value of the instrument as the sum of two components:</p> <p>i) value of the bond component; and ii) value of prepayment option.</p> <p>Value of the bond is determined using the Discounted Cash Flow model (DCF). The discount rate has been determined from a reliable Saudi Riyal denominated listed comparable bond issued by Al Rajhi which is the parent company of the issuer of the unquoted sukuks</p>	Not applicable	Not applicable

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31. Financial instruments (continued)**31.3 Financial instruments carried at fair value (continued)****b) Valuation process**

A number of the Group's accounting policies and disclosures require the measurement of fair values. The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team from an affiliated group of KIPCO that has overall responsibility for overseeing all significant fair value measurements, including Level 2 and 3 fair values, and reports directly to the CFO. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the applicable standards, including the level in the fair value hierarchy in which the valuations should be classified. There were no changes in the valuation techniques during the year.

At each financial year-end / period-end, the finance department:

- verifies all major inputs to the independent valuation report;
- assesses valuation movements when compared to the prior year valuation report; and
- holds discussions with the independent valuer.

There were no transfers between levels of the fair value hierarchy during the year ended December 31, 2025 and December 31, 2024. Additionally, there were no changes in the valuation techniques.

32. Financial instruments risk management objective and policies

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

Risk management framework

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's senior management is supported by a financial risk committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The financial risk committee provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board reviews and agrees on policies for managing each of these risks, which are summarized below:

Market risk

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

The sensitivity analyses in the following sections relate to the position as at December 31, 2025 and December 31, 2024.

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32. Financial instruments risk management objective and policies (continued)**Market risk (continued)****i) Interest rate risk**

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. At December 31, 2025 and December 31, 2024, the Group does not have any borrowings, and accordingly, no interest rate risk sensitivity is presented. Interest-bearing financial assets comprise of short term murabaha deposits and financial assets at FVTPL in sukuks certificates which are at fixed interest rates; therefore, they have no material exposure to cash flow interest rate risk and fair value interest rate risk.

ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's functional and reporting currency is in Saudi Riyals. The Group's transactions are principally in Saudi Riyals. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant. The Group is not exposed to any significant foreign currency risk from Saudi Riyals, and US Dollars denominated financial instruments. However, the Group has investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between local currencies against Bahraini Dinars, Polish Złoty, Kuwaiti Dinars, Jordanian Dinars, and Qatari Riyals. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

Following is the exposure classified into separate foreign currencies:

	Average Rate		Spot Rate	
	2025	2024	2025	2024
Foreign currency per Saudi Riyal				
US Dollar	3.751	3.752	3.750	3.752
Polish zloty	1.003	0.941	1.045	0.915
Kuwaiti dinar	12.334	12.363	12.280	12.314
Bahraini dinar	9.985	9.998	9.948	9.996
Jordanian dinar	5.410	5.438	5.300	5.462
Qatari riyal	1.042	1.040	1.030	1.042

Every 1% increase or decrease in exchange rate with all other variables held constant will (decrease) or increase profit before zakat and income tax for the year by (Saudi Riyals 1.75 million)/ Saudi Riyals 1.34 million (December 31, 2024: Saudi Riyals 0.89 million).

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The Group does not have any financial instruments which are subject to other price risk, except for the financial assets at FVTPL in Tadawul listed Sukuks which have immaterial variation during the year.

Credit risk

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

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32. Financial instruments risk management objective and policies (continued)**Credit risk (continued)**

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

	Note	2025	2024
Financial assets			
Financial assets at FVTPL	9	38,904	87,138
Trade receivables	12	318,870	289,223
Short term investments	13	140,623	222,752
Cash and cash equivalents	14	463,131	455,261
Other receivables	11	22,944	34,524
		984,472	1,088,898

a) Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures, and controls relating to customer credit risk management. The credit quality of the customer is assessed based on a set of qualitative and quantitative factors, and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and provided that are considered doubtful of recovery.

At each reporting date, the Group assesses whether trade receivables carried at amortised cost are credit impaired. A trade receivable is 'credit-impaired' when one or more events that have detrimental impact on the estimated future cash flows of the trade receivables have occurred. A trade receivable that has been renegotiated due to deterioration in the customer's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

At December 31, 2025, the Group had five customers that accounted for approximately 50.71% (December 31, 2024: 43%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 84.7% (December 31, 2024: 82%) in KSA, 5.6% (December 31, 2024: 0.2%) in GCC (other than KSA) and 9.7% (December 31, 2024: 17.8%) in other countries. Due to short-term nature of the trade receivable, their carrying amount is considered to be the same as their fair value.

The requirement for impairment is analysed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. Where recoveries are made, these are recognised in the consolidated statement of profit or loss. The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

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

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

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

	Note	2025	2024
Impairment reversal on trade receivables	12	(4,832)	(3,211)

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32. Financial instruments risk management objective and policies (continued)

Credit risk (continued)

a) Trade receivables (continued)

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

December 31, 2025	Gross carrying amount	Expected loss rate	Allowance for impairment of trade receivables
Current (not past due)	301,646	0.20%	590
1–90 days past due	16,727	2.68%	449
90–180 days past due	1,646	25.58%	421
180–270 days past due	1,111	72.01%	800
270+ days past due	62	100.00%	62
	<u>321,192</u>		<u>2,322</u>
Individually assessed	<u>15,003</u>	<u>100.00%</u>	<u>15,003</u>
	<u>336,195</u>		<u>17,325</u>
December 31, 2024	Gross carrying amount	Expected loss rate	Allowance for impairment of trade receivables
Current (not past due)	277,066	0.13%	352
1–90 days past due	11,719	1.84%	216
90–180 days past due	285	22.46%	64
180–270 days past due	87	20.69%	18
270+ days past due	7,052	89.85%	6,336
	<u>296,209</u>		<u>6,986</u>
Individually assessed	<u>18,992</u>	<u>100.00%</u>	<u>18,992</u>
	<u>315,201</u>		<u>25,978</u>

At December 31, the exposure to credit risk for trade receivables by geographic location was as follows:

Geographic information	2025	2024
Trade Receivables		
Kingdom of Saudi Arabia	284,693	260,436
Poland	24,623	38,451
GCC countries	18,874	1,742
Others	8,005	14,572
	<u>336,195</u>	<u>315,201</u>

b) Cash and cash equivalents and investments

Credit risk from balances with banks and investments is managed in accordance with the Group's policy. Counterparty credit limits are reviewed by the Group's board on an annual basis and may be updated throughout the period. The limits are set to minimize the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group deals with reputable banks with investment grade credit ratings and the credit quality of the cash and cash equivalents and investments can be assessed by reference to external credit ratings.

The cash and cash equivalents and investments are treated under stage 1 and are held with bank and financial institution counterparties, which are rated Aa3, based on Moody's credit ratings.

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32. Financial instruments risk management objective and policies (continued)**Credit risk (continued)**

c) Other receivables

Other receivables credit risk is managed by management and relates to non-trade receivables. Other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on the management's impairment assessment, there is no provision required in respect of these balances for the year presented.

Liquidity risk

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

Excessive risk concentration:

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry. In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversification. Identified concentrations of credit risks are controlled and managed accordingly.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

December 31, 2025	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other payables	298,566	298,566	-	-	298,566
Accrued expense and other liabilities	356,916	356,916	-	-	356,916
Dividend payables	4,350	4,350	-	-	4,350
Due to related parties	30	30	-	-	30
Lease liabilities	70,391	15,871	38,754	36,530	91,155
	730,253	675,733	38,754	36,530	751,017
December 31, 2024	Carrying amount	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other payables	252,108	252,108	-	-	252,108
Accrued expense and other liabilities	339,146	339,146	-	-	339,146
Dividend payables	4,715	4,715	-	-	4,715
Due to related parties	18	18	-	-	18
Lease liabilities	53,274	9,981	22,015	42,587	74,583
	649,261	605,968	22,015	42,587	670,570

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33. Capital management

The Group's objective when managing capital is to safeguard the Group's ability as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its businesses. The primary objective of the Group's capital management is to maximize the shareholder value.

For the purpose of the Group's capital management, capital includes issued share and paid-up capital, statutory reserve, other reserve, treasury reserve, foreign currency translation reserve and retained earnings.

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

	2025	2024
Total liabilities	946,871	844,747
Cash and cash equivalents	(464,231)	(467,796)
Net debt	482,640	376,951
Share capital	325,000	325,000
Treasury shares	(61,668)	(51,559)
Foreign currency translation reserve	(7,328)	(17,149)
Retained earnings	1,486,705	1,550,958
Total equity	1,742,709	1,807,250
Net debt to equity ratio	0.28	0.21

34. Fair value of assets and liabilities**34.1 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.

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 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.

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2025**

(All amounts in Saudi Riyals thousands unless otherwise stated)

34. Fair value of assets and liabilities (continued)**34.1 Fair value measurement** (continued)

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Refer Note 34 for more details.

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 by using the asset in its highest and best use or by selling it to another market participant that would use 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, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair values of financial instruments are not materially different from their carrying values.

	Level 1	Level 2	Level 3	Total
December 31, 2025				
Financial assets at FVTPL - Quoted	38,904	-	-	38,904
December 31, 2024				
Financial assets at FVTPL - Quoted	38,038	-	-	38,038
Financial assets at FVTPL - Unquoted	-	49,100	-	49,100

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, it does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)

(A Saudi Joint Stock Company)

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34. Fair value of assets and liabilities (continued)

34.1 Fair value measurement (continued)

Description:	December 31, 2025		
	Fair value		Total
	Amortized cost	through profit or loss	
Financial assets measured at fair value			
Financial assets at FVTPL	-	38,904	38,904
Financial assets not measured at fair value			
Trade receivables	318,870	-	318,870
Short-term investments	140,623	-	140,623
Cash and cash equivalents	464,231	-	464,231
Other receivables	22,944	-	22,944
Financial liabilities not measured at fair value			
Trade and other payables	298,566	-	298,566
Accrued expenses and other liabilities	356,916	-	356,916
Lease liabilities	70,391	-	70,391
Dividend payables	4,350	-	4,350
Due to related parties	30	-	30
December 31, 2024			
Description:	Fair value		
	through		Total
	Amortised cost	profit or loss	
Financial assets measured at fair value			
Financial assets at FVTPL	-	87,138	87,138
Financial assets not measured at fair value			
Trade receivables	289,223	-	289,223
Short term investments	222,752	-	222,752
Cash and cash equivalents	467,796	-	467,796
Other receivables	34,524	-	34,524
Financial liabilities not measured at fair value			
Accrued expenses and other liabilities	339,146	-	339,146
Trade and other payables	252,108	-	252,108
Lease liabilities	53,274	-	53,274
Dividend payables	4,715	-	4,715
Due to related parties	18	-	18

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2025**

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35. Dividends

In the Annual General Assembly Meeting of the Company held on May 13, 2024, the shareholders approved final dividend of Saudi Riyals 6 per share, amounting to Saudi Riyals 192 million.

Following dividends were announced during the year as approved by the Group's board of directors:

Date of approval	Dividend per share	Amount
September 22, 2025	Saudi Riyal 8	Saudi Riyals 256 million
March 17, 2025	Saudi Riyal 9	Saudi Riyals 288 million
September 15, 2024	Saudi Riyal 6	Saudi Riyals 192 million
February 27, 2024	Saudi Riyal 6	Saudi Riyals 192 million

On February 16, 2026, the Group's Board of Directors announced its decision to distribute dividends of Saudi Riyals 8 per share, amounting to Saudi Riyals 255.7 million.

36. Contingencies, commitments and other information**36.1 Contingencies**

As at December 31, 2025, the banks have issued letter of guarantees on behalf of Group amounting to Saudi Riyals 1.62 million (December 31, 2024: Saudi Riyals 1.8 million) for various business needs.

36.2 Commitments and other information

As at December 31, 2025, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 163.78 million (December 31, 2024: Saudi Riyals 61.0 million).

37. Subsequent events

There have been no significant subsequent events since the year end up to and including the date of the approval of these consolidated financial statements by the Board that would require disclosures or adjustments in these consolidated financial statements, except for those events already disclosed in notes to these consolidated financial statements.

38. Authorisation of financial information

These consolidated financial statements were approved and authorized for issue by the Board of the Directors on February 11, 2026, corresponding to 23 Sha'ban 1447 H.