

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

CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)
AND
INDEPENDENT AUDITOR'S REPORT
For the three-month period ended June 30, 2022

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

<u>INDEX</u>	<u>PAGES</u>
Independent auditor's report on review of condensed consolidated interim financial statements	1 – 2
Condensed consolidated statement of financial position	3
Condensed consolidated statement of profit or loss	4
Condensed consolidated statement of comprehensive income	5
Condensed consolidated statement of changes in equity	6
Condensed consolidated statement of cash flows	7
Notes to the condensed consolidated interim financial statements	8 - 22



KPMG Professional Services

Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص.ب. ٥٥٠٧٨
جدة ٢١٥٣٤

المملكة العربية السعودية
سجل تجاري رقم 4030290792
المركز الرئيسي في الرياض

Independent auditor's report on review of condensed consolidated interim financial statements: To the Shareholders of Saudia Dairy & Foodstuff Company (SADAFCO)

Introduction

We have reviewed the accompanying June 30, 2022 condensed consolidated interim financial statements of Saudia Dairy & Foodstuff Company (the "Company" or "SADAFCO") and its subsidiaries (collectively referred to as the "the Group"), which comprises:

- the condensed consolidated statement of financial position as at June 30, 2022;
- the condensed consolidated statement of profit or loss for the three-month period ended June 30, 2022;
- the condensed consolidated statement of comprehensive income for the three-month period ended June 30, 2022;
- the condensed consolidated statement of changes in equity for the three-month period ended June 30, 2022;
- the condensed consolidated statement of cash flows for the three-month period ended June 30, 2022; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying June 30, 2022 condensed consolidated interim financial statements of Saudia Dairy & Foodstuff Company (SADAFCO) are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مقفلة، مسجلة في المملكة العربية السعودية، رأس مالها (٢٥,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". وهي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة

Commercial Registration of the headquarters in Riyadh is 1010425494.



Independent auditor's report on review of condensed consolidated interim financial statements (continued)

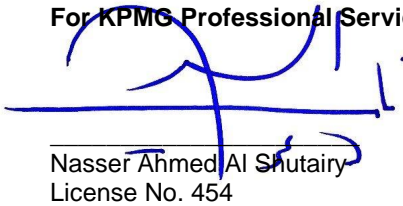
To the Shareholders of Saudia Dairy & Foodstuff Company (SADAFCO)

Other matter

The condensed consolidated interim financial statements of the Company and its subsidiaries as at and for the three-month period ended June 30, 2021 were reviewed by another auditor who expressed an unmodified conclusion on those condensed consolidated interim financial statements on July 29, 2021.

The consolidated financial statements of the Company and its subsidiaries for the year ended March 31, 2022 were audited by the same other auditor who expressed an unmodified opinion on those consolidated financial statements on May 16, 2022.

For KPMG Professional Services


Nasser Ahmed Al Shutairy
License No. 454



Jeddah, August 18, 2022
Corresponding to Muharram 20, 1444H

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	June 30, 2022 (Unaudited)	March 31, 2022 (Audited)
ASSETS			
Property, plant and equipment	7	932,237	935,403
Right-of-use assets		61,745	64,954
Goodwill and intangible assets		16,718	18,462
Other non-current assets		5,091	5,656
Non-current assets		1,015,791	1,024,475
Inventories		427,212	359,421
Trade and other receivables	8	219,081	242,084
Deposits, prepayments and other assets		30,867	34,478
Cash and cash equivalents	9	749,651	625,962
Current assets		1,426,811	1,261,945
Total assets		2,442,602	2,286,420
EQUITY			
Share capital	10	325,000	325,000
Statutory reserve		162,500	162,500
Other reserves	16	308,605	303,172
Treasury shares		(51,559)	(51,559)
Foreign currency translation reserves		(11,656)	(11,506)
Retained earnings		765,491	812,596
Equity attributable to equity holders of the parent		1,498,381	1,540,203
Non-controlling interests		21,734	21,151
Total equity		1,520,115	1,561,354
LIABILITIES			
Employee benefit obligations		131,217	128,145
Lease liabilities		50,898	56,107
Non-controlling interests put option	14	--	24,229
Non-current liabilities		182,115	208,481
Trade and other payables		276,868	191,501
Accruals and other liabilities		275,135	287,898
Non-controlling interests put option	14	48,663	--
Lease liabilities		11,351	10,526
Dividends payable		99,176	3,176
Accrued zakat and income-tax	12	27,842	22,081
Due to related parties	13	1,337	1,403
Current liabilities		740,372	516,585
Total liabilities		922,487	725,066
Total equity and liabilities		2,442,602	2,286,420

The notes on pages from 8 to 22 form an integral part of these condensed consolidated interim financial statements.


Mussad Abdullah Al Nassar
Member Board of Directors


Patrick Othmar Stillhart
Chief Executive Officer


Syed Zahim Hamdani
Chief Financial Officer (acting)

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

		For the three-month period ended	
	Notes	June 30, 2022	June 30, 2021
Revenue – net	4	631,325	492,403
Cost of revenue		(429,118)	(341,929)
Gross profit		202,207	150,474
Other income		494	297
Selling and distribution expenses		(80,626)	(76,955)
General and administrative expenses		(31,931)	(29,434)
Impairment loss on trade receivables	8	(273)	(303)
Operating profit		89,871	44,079
Finance income		2,344	1,019
Finance costs	11	(28,086)	(1,824)
Profit before zakat and income-tax		64,129	43,274
Zakat and income-tax	12	(7,850)	(5,276)
Profit for the period		56,279	37,998
Profit is attributable to:			
Equity holders of the parent		54,328	38,145
Non-controlling interests		1,951	(147)
		56,279	37,998
Earnings per share (EPS):			
Basic and diluted earnings per share (in Saudi Arabian Riyals)	6	1.70	1.19

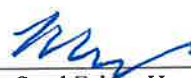
The notes on pages from 8 to 22 form an integral part of these condensed consolidated interim financial statements.



Mussad Abdullah Al Nassar
Member Board of Directors



Patrick Othmar Stillhart
Chief Executive Officer



Syed Fahim Hamdani
Chief Financial Officer (acting)

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	For the three-month period ended	
	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Profit for the period	56,279	37,998
Other comprehensive (loss) / income		
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	<u>(1,518)</u>	<u>6,151</u>
Other comprehensive (loss) / income for the period	<u>(1,518)</u>	<u>6,151</u>
Total comprehensive income for the period	<u>54,761</u>	<u>44,149</u>
Total comprehensive income for the period is attributable to:		
Equity holders of the parent	54,178	44,692
Non-controlling interests	<u>583</u>	<u>(543)</u>
	<u>54,761</u>	<u>44,149</u>

The notes on pages from 8 to 22 form an integral part of these condensed consolidated interim financial statements.



Mussad Abdullah Al Nassar
Member Board of Directors



Patrick Othmar Stillhart
Chief Executive Officer



Syed Fahir Hamdani
Chief Financial Officer (acting)

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

For the three-month period ended June 30, 2022

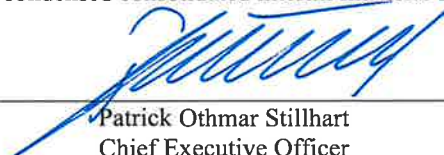
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Attributable to equity holders of the parent						Non-controlling interests	Total equity
	Share capital	Statutory reserve	Other reserves	Treasury shares	Foreign currency translation reserves	Retained earnings		
Balance at April 1, 2021	325,000	162,500	282,443	(51,559)	(6,796)	821,758	21,473	1,554,819
Profit / (loss) for the period	--	--	--	--	--	38,145	(147)	37,998
Other comprehensive income / (loss)	--	--	--	--	6,547	--	(396)	6,151
Total comprehensive income / (loss) for the period	--	--	--	--	6,547	38,145	(543)	44,149
Transfer to other reserves (Note 16)	--	--	3,815	--	--	(3,815)	--	--
Balance as at June 30, 2021 (Unaudited)	325,000	162,500	286,258	(51,559)	(249)	856,088	20,930	1,598,968
Balance at April 1, 2022	325,000	162,500	303,172	(51,559)	(11,506)	812,596	21,151	1,561,354
Profit for the period	--	--	--	--	--	54,328	1,951	56,279
Other comprehensive loss	--	--	--	--	(150)	--	(1,368)	(1,518)
Total comprehensive (loss) / income for the period	--	--	--	--	(150)	54,328	583	54,761
Dividends declared (Note 17)	--	--	--	--	--	(96,000)	--	(96,000)
Transfer to other reserves (Note 16)	--	--	5,433	--	--	(5,433)	--	--
Balance at June 30, 2022 (Unaudited)	325,000	162,500	308,605	(51,559)	(11,656)	765,491	21,734	1,520,115

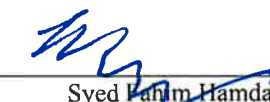
The notes on pages from 8 to 22 form an integral part of these condensed consolidated interim financial statements.



Mussad Abdullah Al Nassar
Member Board of Directors



Patrick Othmar Stillhart
Chief Executive Officer



Syed Fahim Hamdani
Chief Financial Officer (acting)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	For the three-month period ended	
	June 30, 2022	June 30, 2021
Cash flows from operating activities		
Profit before zakat and income-tax	64,129	43,274
<u>Adjustments for:</u>		
Depreciation on property, plant and equipment	26,054	22,134
Depreciation on right-of-use assets	3,532	3,103
Amortization of intangible assets	685	668
(Gain) / loss on disposal of property, plant and equipment	(151)	28
Impairment loss on trade receivables	273	303
Finance costs on lease liabilities	661	772
Finance costs on non-controlling interests put option and other liabilities	25,985	636
Provision for employee benefit obligations	4,544	3,366
Provision for slow moving inventories	24	--
	125,736	74,284
<u>Changes in:</u>		
Inventories	(67,815)	(59,240)
Trade and other receivables	22,730	44,626
Deposits, prepayments and other assets	3,611	5,826
Trade and other payables	85,367	27,888
Due to related parties	(66)	260
Accruals and other liabilities	(12,916)	18,278
Cash generated from operating activities	156,647	111,922
Repayments of finance costs on lease liabilities	(1,237)	(1,296)
Employee benefit obligations paid	(1,472)	(1,832)
Zakat and income-tax paid	(2,089)	--
Net cash from operating activities	151,849	108,794
Cash flows from investing activities		
Purchases of property, plant and equipment	(24,997)	(39,940)
Proceeds from disposal of property, plant and equipment	151	130
Net movement in other non-current assets	565	(301)
Net cash used in investing activities	(24,281)	(40,111)
Cash flows from financing activities		
Dividends paid	--	(18)
Principal repayment of lease liabilities	(3,939)	(3,186)
Net cash used in financing activities	(3,939)	(3,204)
Net increase in cash and cash equivalents	123,629	65,479
Effects of exchange rate fluctuations on cash and cash equivalents	60	4,544
Cash and cash equivalents at the beginning of the period	625,962	713,290
Cash and cash equivalents at the end of the period	749,651	783,313

The notes on pages from 8 to 22 form an integral part of these condensed consolidated interim financial statements.

Muhammad Abdullah Al Nassar
Member Board of Directors

Patrick Othmar Stillhart
Chief Executive Officer

Syed Fahim Hamdani
Chief Financial Officer (acting)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

1. REPORTING ENTITY

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

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

The Group’s registered office is located at Al Nakheel District, P.O. Box 5043, Jeddah 21422, Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 “Interim Financial Reporting” that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Group’s annual consolidated financial statements as at and for the year ended March 31, 2022 (“last annual Financial Statements”).

These condensed consolidated interim financial statements do not include all of the information required for a complete set of annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (‘IFRS’) as endorsed in the Kingdom of Saudi Arabia. However, selected accounting policies and explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements. In addition, results for the interim period ended June 30, 2022 are not necessarily indicative of the results that may be expected for the financial year ending March 31, 2023.

2.2 Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for the following significant items in the condensed consolidated statement of financial position:

- Non-controlling interests put option is recognised at the present value of redemption amount;
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method; and
- Derivative financial instruments are measured at fair value through profit or loss.

Certain comparatives have been reclassified to conform to the current period’s presentation.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.3 Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Saudi Arabian Riyals (“SR”) being the functional currency of the Company and currency of presentation of the Group. All amounts are rounded to nearest thousand SR, unless otherwise indicated.

2.4 New standards and amendments to standards

The following amendments to existing standards and framework have been applied by the Group in preparation of these condensed consolidated interim financial statements. The adoption of the following did not result in changes to the previously reported profit or equity of the Group.

<i><u>Standard / Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective date</u></i>
IAS 37	Onerous contracts – cost of fulfilling a contract – Amendment	01 January 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	01 January 2022
IAS 16	Property, plant and equipment: proceeds before intended use - Amendment	01 January 2022
IFRS 3	Reference to the conceptual framework – Amendment	01 January 2022

2.5 Standards issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the condensed consolidated interim financial statements are disclosed below. The Group is currently assessing the implications on the Group’s consolidated interim financial statements on adoption. The Group intends to adopt these standards, where applicable, when they become effective.

<i><u>Standard / Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective from periods beginning on or after the following date</u></i>
IFRS 17	Insurance contracts	01 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	01 January 2023
IAS 8	Definition to accounting estimates	01 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	01 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	01 January 2023

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.5 Standards issued but not yet effective (continued)

<i><u>Standard / Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective from periods beginning on or after the following date</u></i>
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

2.6 Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses, accompanying disclosures, including disclosure of contingent liabilities. 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 in the future periods. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation of uncertainty were the same as those described in the last annual financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group for the preparation of the condensed consolidated interim financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended March 31, 2022, except for the adoption of amendments and interpretations effective as of 01 January 2022, as mentioned in note 2. The Group has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

4. SEGMENT INFORMATION

4.1 Operating segment

The Group's Board of Directors and CEO monitor the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the Chief Operating Decision Makers (CODM) for the Group.

The operating segments described below have been prepared in accordance with IFRS 8. The Company operates in two main business segments, drinks, and non-drinks. The drinks segment represents milk and juice products, while non-drinks represent ice creams, tomato paste, cheese, and snacks.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. SEGMENT INFORMATION (continued)

4.1 Operating segment (continued)

Revenue is recognised when a customer obtains control of the goods or services (i.e. when it has the ability to direct the use of and obtain benefits from the goods). Customers obtain control when goods are delivered to and have been accepted by them as per the applicable delivery terms and, accordingly, revenue is recognised at that point-in-time.

The following table presents segment information for the period ended June 30:

	<u>Three-month period ended June 30, 2022 (Unaudited)</u>			
	<u>Drinks</u>	<u>Non-Drinks</u>	<u>Unallocated</u>	<u>Total</u>
<u>Segment profit or loss:</u>				
Revenue – net	361,818	316,019	--	677,837
Inter-segment revenue - net	(10,911)	(35,601)	--	(46,512)
Revenue from external customers	350,907	280,418	--	631,325
Profit before zakat and income-tax	31,478	32,610	41	64,129
Depreciation and amortization	20,468	9,803	--	30,271
Finance income	--	2,303	41	2,344
Finance costs	513	27,573	--	28,086

	<u>Three-month period ended June 30, 2022 (Unaudited)</u>			
	<u>Drinks</u>	<u>Non-Drinks</u>	<u>Unallocated</u>	<u>Total</u>
<u>Segment assets:</u>				
Property, plant and equipment	628,286	303,951	--	932,237
Right-of-use assets	51,118	10,627	--	61,745
Goodwill and intangible assets	--	16,718	--	16,718
Other non-current assets	--	4,848	243	5,091
Current assets	64,338	141,863	1,220,610	1,426,811
Total assets	743,742	478,007	1,220,853	2,442,602
<u>Segment liabilities:</u>				
Other current liabilities	--	52,316	628,042	680,358
Non-controlling interests put option	--	48,663	--	48,663
Lease liabilities	50,918	11,331	--	62,249
Employee benefit obligations	--	262	130,955	131,217
Total liabilities	50,918	112,572	758,997	922,487

	<u>Three-month period ended June 30, 2021 (Unaudited)</u>			
	<u>Drinks</u>	<u>Non -Drinks</u>	<u>Unallocated</u>	<u>Total</u>
<u>Segment profit or loss:</u>				
Revenue – net	277,708	238,866	--	516,574
Inter-segment revenue – net	(6,118)	(18,053)	--	(24,171)
Revenue from external customers	271,590	220,813	--	492,403
Profit before zakat and income-tax	23,312	19,469	493	43,274
Depreciation and amortization	17,433	8,472	--	25,905
Finance income	--	526	493	1,019
Finance costs	603	1,221	--	1,824

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. SEGMENT INFORMATION (continued)

4.1 Operating segment (continued)

		<u>March 31, 2022 (Audited)</u>		
	<u>Drinks</u>	<u>Non-Drinks</u>	<u>Unallocated</u>	<u>Total</u>
<i><u>Segment assets:</u></i>				
Property, plant and equipment	631,006	304,397	--	935,403
Right-of-use assets	53,671	11,283	--	64,954
Goodwill and intangible assets	--	18,462	--	18,462
Other non-current assets	--	5,413	243	5,656
Current assets	40,311	113,401	1,108,233	1,261,945
Total assets	<u>724,988</u>	<u>452,956</u>	<u>1,108,476</u>	<u>2,286,420</u>
<i><u>Segment liabilities:</u></i>				
Current liabilities	8,324	39,518	468,743	516,585
Non-controlling interests put option	--	24,229	--	24,229
Lease liabilities	46,500	9,607	--	56,107
Employee benefit obligations	--	280	127,865	128,145
Total liabilities	<u>54,824</u>	<u>73,634</u>	<u>596,608</u>	<u>725,066</u>

The management has categorized its geographical operations as follows:

	Three-month period ended June 30,	
	<u>2022</u>	<u>2021</u>
	(Unaudited)	(Unaudited)
<u>Geographic information:</u>		
<u>Revenue from external customers:</u>		
Kingdom of Saudi Arabia	503,694	412,681
Poland	89,988	47,974
Gulf Cooperation Council (GCC) countries	14,346	13,667
Others	23,297	18,081
Total	<u>631,325</u>	<u>492,403</u>
	<u>June 30, 2022</u>	<u>March 31, 2022</u>
	(Unaudited)	(Audited)
<u>Non-current operating assets:</u>		
Kingdom of Saudi Arabia	942,851	947,237
Poland	54,629	59,028
Gulf Cooperation Council (GCC) countries	13,311	13,729
Others	5,000	4,481
Total	<u>1,015,791</u>	<u>1,024,475</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

4. SEGMENT INFORMATION (continued)

4.2 Adjustments

Certain non-current assets, current assets, current liabilities and non-current liabilities are not allocated to operating segments as they are managed at the Group level.

4.3 Reconciliation of profit

	Three-month period ended June 30,	
	<u>2022</u>	<u>2021</u>
	(Unaudited)	(Unaudited)
Total profit for reportable segments	64,088	42,781
Finance income	41	493
Profit before zakat and income-tax	<u>64,129</u>	<u>43,274</u>

5. GROUP INFORMATION

The condensed consolidated interim financial statements of the Group includes:

<u>Name</u>	<u>Relationship</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>% equity interest</u>	
				<u>June 30, 2022</u>	<u>March 31, 2022</u>
SADAFCO Bahrain Company LLC	Subsidiary	Foodstuff and dairy products	Bahrain	100%	100%
SADAFCO Jordan Foodstuff Company LLC	Subsidiary	Foodstuff and dairy products	Jordan	100%	100%
SADAFCO Qatar W.L.L.	Subsidiary	Foodstuff and dairy products	Qatar	75%	75%
SADAFCO Kuwait Foodstuff Co. W.L.L (*)	Subsidiary	Foodstuff and dairy products	Kuwait	49%	49%
SADAFCO Poland Sp. z o.o. ("SADAFCO Poland")	Subsidiary	Holding company	Poland	100%	100%
Mlekoma Sp. z o.o. (**)	Subsidiary	Dairy products	Poland	76%	76%
Foodexo Sp. z o.o. (**)	Subsidiary	Dairy products	Poland	76%	76%
Mlekoma Dairy Sp. z o.o. (**)	Associate	Dairy products	Poland	37%	37%

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

(**) These entities together are referred to as "Mlekoma group".

The Group's parent entity is Al Qurain Petrochemicals Industries Company ("QPIC"), which is an associate of Kuwait Projects Company Holding ("KIPCO"). QPIC holds shareholding equal to 40.11% of the share capital (March 31, 2022: 40.11% of the share capital). Both, QPIC and KIPCO are listed on Kuwait Stock Exchange.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

5. GROUP INFORMATION (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

6. EARNINGS PER SHARE (EPS)

The calculation of the basic and diluted earnings per share is as follows:

	Three-month period ended June 30,	
	<u>2022</u>	<u>2021</u>
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the parent (Saudi Riyals '000')	54,328	38,145
The weighted average number of ordinary shares for the purposes of basic and diluted earnings ('000')	32,000	32,000
Basic and diluted earnings per share based on profit for the period attributable to equity holders of the parent (Saudi Riyals)	1.70	1.19

Basic earnings per share have been computed by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding.

Diluted earnings per share have been computed by dividing the profit attributable to equity holders of the parent by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential ordinary shares. However, in the absence of any convertible shares, the diluted earnings per share do not differ from the basic earnings per share.

7. PROPERTY, PLANT AND EQUIPMENT

Reconciliation of carrying amounts:

	Three-month period ended June 30, <u>2022</u> (Unaudited)	Year ended March 31, <u>2022</u> (Audited)
Carrying amount at beginning of the period / year	935,403	860,729
Additions during the period / year	24,997	166,875
Disposals during the period / year	--	(842)
Depreciation charge for the period / year	(26,054)	(89,625)
Exchange differences for the period / year	(2,109)	(1,734)
Carrying amount at the end of the period / year	<u>932,237</u>	<u>935,403</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

8. TRADE AND OTHER RECEIVABLES

Trade receivables is as follows:

	June 30, 2022 (Unaudited)	March 31, 2022 (Audited)
Trade receivables	244,397	268,511
Less: allowance for impairment loss	<u>(39,463)</u>	<u>(39,190)</u>
Net trade receivables	204,934	229,321
Advances and other receivables	<u>14,147</u>	<u>12,763</u>
	<u>219,081</u>	<u>242,084</u>

The movement in the allowance for impairment loss is as follows:

	June 30, 2022 (Unaudited)	March 31, 2022 (Audited)
Balance at beginning of the period / year	39,190	37,988
Charge for the period / year	<u>273</u>	<u>1,202</u>
Balance at end of the period / year	<u>39,463</u>	<u>39,190</u>

9. CASH AND CASH EQUIVALENTS

	June 30, 2022 (Unaudited)	March 31, 2022 (Audited)
Cash in hand	8,949	4,524
Cash at banks - current accounts	57,306	87,655
Murabaha short-term bank deposits	<u>683,396</u>	<u>533,783</u>
	<u>749,651</u>	<u>625,962</u>

10. SHARE CAPITAL

At June 30, 2022, the authorized, issued, and paid-up share capital of SR 325 million consists of 32.5 million fully paid shares of SR 10 each (March 31, 2022: SR 325 million consists of 32.5 million shares of SR 10 each).

11. FINANCE COSTS

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Net changes in fair value of non-controlling interests put option (11.1)	25,985	636
Finance costs on lease liabilities	661	772
Others	<u>1,440</u>	<u>416</u>
	<u>28,086</u>	<u>1,824</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

11. FINANCE COSTS (continued)

11.1 The non-controlling interest put option is a binding irrevocable option to acquire from the noncontrolling interest equity holders their remaining shareholding at the expiry date of the option i.e. fifth year of the completion date, in accordance with terms of the SPA. The put option available to the non-controlling interest equity holders is exercisable within period of 15 business days from the expiry date of the option. The redemption value is recognised higher of purchase price as per SPA or determined by applying earnings multiplier to audited EBITDA of financial year 2022 of Mlekoma group as reduced by net debt in accordance with the SPA.

12. ZAKAT AND INCOME-TAX

a) Charge for the period

Zakat and income-tax for the period ended comprise the following:

	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Zakat	5,761	5,276
Income-tax	2,089	--
Charge for the period	7,850	5,276

Zakat is payable at the rate of 2.5% of higher of zakat base and adjusted net income / (losses) for the period.

b) Accrued zakat and income-tax

The movement in the accrued zakat and income-tax during the period / year is analysed as under:

	<u>Zakat</u>	<u>Income-tax</u>	<u>Total</u>
At April 01, 2021	22,222	--	22,222
Charge for the year	22,609	2,613	25,222
Payment	(22,750)	(2,613)	(25,363)
At March 31, 2022 (Audited)	22,081	--	22,081
At April 01, 2022	22,081	--	22,081
Charge for the period	5,761	2,089	7,850
Payment	--	(2,089)	(2,089)
At June 30, 2022 (Unaudited)	27,842	--	27,842

c) Status of assessments

The Company has filed the zakat return for the year ended March 31, 2021 and received the zakat certificate valid until July 31, 2023. The Zakat, Tax and Customs Authority (ZATCA) has requested for additional information related to the year ended March 31, 2020. SADAFCO has submitted the requested information. ZATCA assessment for the years up to year ended March 31, 2019 have been finalized with the ZATCA.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

13. RELATED PARTY TRANSACTIONS AND BALANCES

13.1 Transactions and balances with related parties

The Group, in the normal course of business, enters into transactions with other entities that fall within the definition of a related party contained in International Accounting Standard 24. Related parties comprise of shareholders of the Group, being parent Companies, their subsidiaries and associates, and other companies with common directorship with significant influence on other companies and key management personnel. Transactions with related parties arise mainly from goods / services received and various business arrangements undertaken at approved contractual terms.

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

b) Due to related parties - significant transactions and balances:

<u>Transactions with</u>	<u>Nature of transaction</u>	<u>Amount of transactions</u>		<u>Due to related parties</u>	
		<u>Three-month period</u>		<u>June 30,</u>	<u>March 31,</u>
		<u>ended June 30,</u>		<u>2022</u>	<u>2022</u>
		<u>2022</u>	<u>2021</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>		
Buruj Cooperative Insurance Company (affiliate) (*)	Insurance premium	2,180	2,985	1,227	1,403
PKC Advisory (affiliate)	Consultancy services	276	297	101	--
AXA GIG SAUDI (affiliate)	Insurance premium	9	--	9	--
Alternative Energy Projects Co. (affiliate)	Purchase of solar energy systems	--	1,637	--	--
				<u>1,337</u>	<u>1,403</u>

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

13.2 Remuneration

<u>Name</u>	<u>Nature of transactions</u>	<u>June 30,</u> <u>2022</u> <u>(Unaudited)</u>	<u>June 30,</u> <u>2021</u> <u>(Unaudited)</u>
Key management personnel	Short term employee benefits and end of service benefits	2,700	2,700
Board of Directors	Directors' fees	900	700
		<u>3,600</u>	<u>3,400</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

14. FINANCIAL INSTRUMENTS

14.1 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.

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the condensed consolidated interim financial 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 condensed consolidated interim 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.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

14. FINANCIAL INSTRUMENTS (continued)

14.2 Financial instruments carried at fair value

a) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- For non-controlling interests put option present value of redemption amount.
- Derivative financial instruments are measured at fair value through profit or loss.

b) Derivative financial instruments

The Group's Polish subsidiaries entered into multiple foreign currency forward contracts to cover the volatility in foreign currency transactions. At June 30, 2022, the Group had 25 (March 31, 2022: 55) foreign currency forward contracts in place with a total notional amount of SR 44 million (March 31, 2022: SR 80.55 million) and net negative carrying amount of SR 2.7 million (March 31, 2022: SR 0.51 million). Net realized loss on matured foreign currency forwards recognized in the condensed consolidated interim statement of profit or loss during the three-month period ended June 30, 2022 amounted to SR 1.6 million (June 30, 2021: SR 0.23 million). All these contracts have been classified as 'held for trading' for accounting purposes under current liabilities and designated as level 2 in the condensed consolidated interim financial statements. The Group relies on the counterparty for the valuation of these derivatives.

The analysis of derivative financial instruments and the related fair values together with the notional amounts classified by the term to maturity as of June 30, 2022 is as follows:

	Positive fair value	Negative fair value	Notional amount	<u>Notional amounts by term to maturity</u>			
				<u>Within 3 months</u>	<u>3 to 12 months</u>	<u>1 – 5 years</u>	<u>Over 5 years</u>
Foreign currency forwards	80	2,796	43,899	22,574	21,325	-	-
	80	2,796	43,899	22,574	21,325	-	-

The maturities of the foreign currency forwards are less than 6 months as at June 30, 2022.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

14. FINANCIAL INSTRUMENTS (continued)

14.3 Categories of financial assets and liabilities

The below table shows carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. 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.

<u>June 30, 2022</u> (Unaudited)	<u>Carrying value</u>	<u>Fair value</u>			<u>Total</u>
		Level 1	Level 2	Level 3	
Non-Derivative Financial Assets					
Financial assets at amortised cost					
Trade and other receivables	219,081	--	--	--	--
Security and other deposits	4,763	--	--	--	--
Cash and cash equivalents	749,651	--	--	--	--
Total financial assets	973,495	--	--	--	--
Non-Derivative Financial Liabilities					
Financial liabilities at amortised cost					
Trade and other payables	276,868	--	--	--	--
Accruals and other liabilities	260,921	--	--	--	--
Lease liabilities	62,249	--	--	--	--
Dividends payable	99,176	--	--	--	--
Due to related parties	1,337	--	--	--	--
	700,551	--	--	--	--
Financial liabilities at fair value through profit or loss					
Non-controlling interests put option	48,663	--	--	48,663	48,663
	48,663	--	--	48,663	48,663
Derivative Financial Liabilities					
Financial liabilities at fair value through profit or loss					
Foreign currency forwards	2,716	--	2,716	--	2,716
Total financial liabilities	751,930	--	2,716	48,663	51,379

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

14. FINANCIAL INSTRUMENTS (continued)

14.3 Categories of financial assets and liabilities (continued)

<u>March 31, 2022</u> (Audited)	<u>Carrying value</u>	<u>Level 1</u>	<u>Fair value Level 2</u>	<u>Level 3</u>	<u>Total</u>
Non-Derivative Financial Assets					
Financial assets at amortised cost					
Trade and other receivables	242,084	--	--	--	--
Security and other deposits	625,962	--	--	--	--
Cash and cash equivalents	4,433	--	--	--	--
Total financial assets	872,479	--	--	--	--
Non-Derivative Financial Liabilities					
Financial liabilities at amortised cost					
Trade and other payables	191,501	--	--	--	--
Accruals and other liabilities	272,244	--	--	--	--
Lease liabilities	66,633	--	--	--	--
Dividends payable	3,176	--	--	--	--
Due to related parties	1,403	--	--	--	--
	534,957	--	--	--	--
Financial liabilities at fair value through profit or loss					
Non-controlling interests put option	24,229	--	--	24,229	24,229
	24,229	--	--	24,229	24,229
Derivative Financial Liabilities					
Financial liabilities at fair value through profit or loss					
Foreign currency forwards	511	--	511	--	511
Total financial liabilities	559,697	--	511	24,229	24,740

15. COMMITMENTS AND CONTINGENCIES

In addition to contingencies disclosed in note 12, below are the commitments and contingencies of the Group.

- As at June 30, 2022, the Group has outstanding commitments for future capital expenditures amounting to SR 43.9 million (March 31, 2022: SR 42.2 million).
- As at June 30, 2022, the Group has contingent liabilities of SR 1.4 million (March 31, 2022: SR 1.4 million) in respect of guarantees issued for various business needs.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three-month period ended June 30, 2022

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

16. OTHER RESERVES

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

17. DIVIDENDS

The shareholders in their Annual General Assembly meeting held on June 28, 2022 approved the distribution of SR 3 per share, amounting to SR 96 million.

18. SUBSEQUENT EVENTS

There have been no significant subsequent events since the period-end, that would require disclosures or adjustments in these condensed consolidated interim financial statements.

19. AUTHORIZATION OF FINANCIAL INFORMATION

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of Parent Company on Jeddah, August 18, 2022 corresponding to Muharram 20, 1444H.