

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
SEPTEMBER 30, 2019 AND REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A SAUDI JOINT STOCK COMPANY)
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED SEPTEMBER 30, 2019

	Page
Report on review of condensed consolidated interim financial information	2
Condensed consolidated interim statement of profit or loss	3
Condensed consolidated interim statement of comprehensive income	4
Condensed consolidated interim statement of financial position	5
Condensed consolidated interim statement of changes in equity	6
Condensed consolidated interim statement of cash flows	7
Notes to the condensed consolidated interim financial information	8 - 19



Report on review of condensed consolidated interim financial information

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudia Dairy & Foodstuff Company (the "Company" or "SADAFCO"), together with its subsidiaries (collectively referred to as the "Group") as of September 30, 2019 and the related condensed consolidated interim statements of profit or loss and comprehensive income for the three-month and six-month periods ended September 30, 2019 and the condensed consolidated interim statements of changes in equity and cash flows for the six-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - "Interim Financial Reporting" (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

October 21, 2019



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

	Note	Three-month period ended September 30,		Six-month period ended September 30,	
		2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Revenue – net	4	521,078	476,624	1,006,310	886,795
Cost of revenue		(344,302)	(330,794)	(673,061)	(607,443)
Gross profit		176,776	145,830	333,249	279,352
Selling and distribution expenses		(82,314)	(69,564)	(152,745)	(127,533)
General and administrative expenses		(28,074)	(21,728)	(55,075)	(46,925)
Other operating income		751	1,047	1,559	1,867
Impairment loss on financial assets		(375)	(375)	(1,285)	(750)
Operating profit		66,764	55,210	125,703	106,011
Finance income		3,044	2,594	6,342	5,593
Profit before zakat		69,808	57,804	132,045	111,604
Zakat		(4,680)	(3,973)	(9,011)	(7,745)
Profit for the period		65,128	53,831	123,034	103,859
Profit is attributable to:					
Owners of SADAFCO		65,159	54,092	123,442	104,292
Non-controlling interests		(31)	(261)	(408)	(433)
		65,128	53,831	123,034	103,859
Earnings per share:					
Basic and dilutive earnings per share (Saudi Riyals) attributable to owners of SADAFCO	6	2.04	1.66	3.86	3.21

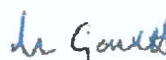
The notes from 1 to 17 form part of this condensed consolidated interim financial information.



Mussad Abdullah Al Nassar
Member Board of Directors



Waltherus Cornelis Petrus Matthijs
Chief Executive Officer



Ian David Gowlett
Chief Financial Officer

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

	Three-month period ended September 30,		Six-month period ended September 30,	
	2019	2018	2019	2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	65,128	53,831	123,034	103,859
Other comprehensive (loss)/income				
Items that may be reclassified to profit or loss				
Exchange difference on translation of foreign operations	(31)	(320)	97	494
Items that will not to be reclassified to profit or loss				
Re-measurement gain on employee benefit obligation	-	-	-	-
Other comprehensive (loss) / income for the period	(31)	(320)	97	494
Total comprehensive income for the period	65,097	53,511	123,131	104,353
Total comprehensive income / (loss) for the period is attributable to:				
Owners of SADAFCO	65,128	53,733	123,537	104,722
Non-controlling interests	(31)	(222)	(406)	(369)
	65,097	53,511	123,131	104,353

The notes from 1 to 17 form part of this condensed consolidated interim financial information.



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Member Board of Directors



Waltherus Cornelis Petrus Matthijs
Chief Executive Officer

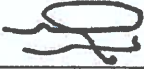


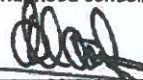
Ian David Gowlett
Chief Financial Officer

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

	Note	September 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	7	775,442	787,021
Right-of-use assets	8	61,789	-
Intangible assets		27,437	28,713
Other non-current assets		5,119	4,904
		<u>869,787</u>	<u>820,638</u>
Current assets			
Inventories		325,543	277,417
Trade and other receivables		210,318	192,792
Deposits, prepayments and other assets		43,731	42,840
Cash and cash equivalents		604,546	582,055
		<u>1,184,138</u>	<u>1,095,104</u>
Total assets		<u>2,053,925</u>	<u>1,915,742</u>
Equity			
Issued share and paid up capital		325,000	325,000
Statutory reserve		162,500	162,500
Other reserves	14	242,106	229,762
Treasury shares	6	(51,559)	(51,559)
Foreign currency translation reserves		(430)	(525)
Retained earnings		720,365	673,267
Equity attributable to owners of SADAFCO		<u>1,397,982</u>	<u>1,338,445</u>
Non-controlling interests		19,008	19,414
Total equity		<u>1,416,990</u>	<u>1,357,859</u>
Liabilities			
Non-current liabilities			
Employee benefit obligations		108,936	109,576
Lease liabilities	9	40,788	-
Non-controlling interest put option		25,712	24,088
Non-current portion of contingent consideration payable		3,905	3,845
		<u>179,341</u>	<u>137,509</u>
Current liabilities			
Trade and other payables		187,664	198,086
Accruals and other liabilities		241,388	200,955
Zakat payable	10	7,343	16,189
Current portion of lease liabilities	9	15,388	-
Dividends payable		3,192	3,077
Due to related parties	11	2,619	2,067
		<u>457,594</u>	<u>420,374</u>
Total liabilities		<u>636,935</u>	<u>557,883</u>
Total equity and liabilities		<u>2,053,925</u>	<u>1,915,742</u>

The notes from 1 to 17 form part of this condensed consolidated interim financial information.


Mussad Abdullah Al Nassar
Member Board of Directors


Waltherus Cornelis Petrus Matthijs
Chief Executive Officer


Ian David Gowlett
Chief Financial Officer

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

	Attributable to owners of SADAFCO							Non-controlling interests	Total equity
	Issued share and paid up capital	Statutory reserve	Other reserves	Treasury shares	Foreign currency translation reserves	Retained earnings	Total		
Balance at April 1, 2018 (audited)	325,000	162,500	207,923	-	(1,315)	627,042	1,321,150	222	1,321,372
Profit / (loss) for the period	-	-	-	-	-	104,292	104,292	(433)	103,859
Other comprehensive income	-	-	-	-	430	-	430	64	494
Total comprehensive income / (loss) for the period	-	-	-	-	430	104,292	104,722	(369)	104,353
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	15,994	15,994
Dividends	-	-	-	-	-	(85,000)	(85,000)	-	(85,000)
Put option reserve	-	-	-	-	-	(23,240)	(23,240)	-	(23,240)
Transfer to other reserves - Note 14	-	-	10,429	-	-	(10,429)	-	-	-
Balance at September 30, 2018 (unaudited)	325,000	162,500	218,352	-	(885)	632,665	1,337,632	15,847	1,353,479
Balance at April 1, 2019 (audited)	325,000	162,500	229,762	(51,559)	(525)	673,267	1,338,445	19,414	1,357,859
Profit / (loss) for the period	-	-	-	-	-	123,442	123,442	(408)	123,034
Other comprehensive income	-	-	-	-	95	-	95	2	97
Total comprehensive income / (loss) for the period	-	-	-	-	95	123,442	123,537	(406)	123,131
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	-	-
Dividends - Note 15	-	-	-	-	-	(64,000)	(64,000)	-	(64,000)
Transfer to other reserves - Note 14	-	-	12,344	-	-	(12,344)	-	-	-
Balance at September 30, 2019 (unaudited)	325,000	162,500	242,106	(51,559)	(430)	720,365	1,397,982	19,008	1,416,990

The notes from 1 to 17 form part of this condensed consolidated interim financial information

Musad Abdullah Al Nassar
Member Board of Directors

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Chief Executive Officer

Ian David Gowllett
Chief Financial Officer

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

	Six-month period ended	
	September 30,	
	2019	2018
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Profit before zakat	132,045	111,604
<u>Adjustments for:</u>		
Depreciation	46,815	33,128
Amortization of intangible assets	1,276	-
Gain on disposal of property, plant and equipment	(562)	(519)
Impairment loss on financial assets	1,729	752
Finance costs on lease liabilities	1,269	-
Finance costs on non-controlling interest put option and contingent consideration payable	1,684	209
Provision for employee benefit obligations	7,606	7,513
Other non-current assets	(215)	-
	191,647	152,687
<u>Working capital</u>		
Inventories	(48,126)	35,700
Trade and other receivables	(19,255)	(19,187)
Deposits, prepayments and other assets	(5,678)	(2,371)
Trade and other payables	(10,422)	(19,346)
Due to related parties	552	995
Accruals and other liabilities	41,818	26,124
	150,536	174,602
Employee benefit obligations paid	(8,246)	(8,155)
Zakat paid	(17,857)	(21,129)
Net cash inflow from operating activities	124,433	145,318
Cash flow from investing activities		
Sale proceeds from disposal of property, plant and equipment	660	519
Purchases of property, plant and equipment	(28,773)	(83,233)
Acquisition of other non-current assets	-	(129)
Payment for acquisition of a subsidiary, net of cash acquired	-	(73,251)
Net cash outflow from investing activities	(28,113)	(156,094)
Cash flow from financing activities		
Dividends paid to owners of SADAFCO	(63,885)	(65,000)
Principal elements of lease payments	(10,041)	-
Cash outflow from financing activities	(73,926)	(65,000)
Net change in cash and cash equivalents	22,394	(75,776)
Effects of exchange rate fluctuations on cash and cash equivalents	97	494
Cash and cash equivalents at the beginning of period	582,055	559,099
Cash and cash equivalents at the end of period	604,546	483,817

The notes from 1 to 17 form part of this condensed consolidated interim financial information.



Mussad Abdullah Al Nassar
Member Board of Directors



Waltherus Cornelis Petrus Matthijs
Chief Executive Officer



Ian David Gowellt
Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended September 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General Information

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

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

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

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

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended March 31, 2019. IAS 34 states that the condensed interim financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosures in interim financial information than IFRS requires in annual financial statements.

2.2 Accounting convention / Basis of measurement

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

- The Defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Certain non-current assets measured at fair value.
- Non-controlling interest put option is recognised at the present value of redemption amount.

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

2.3 New and amended standards adopted by the Group

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

The Group had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16 'Leases' from April 1, 2019. The impact of the adoption of the lease standard is disclosed below.

Change in accounting policy

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements. The new accounting policy that has been applied from April 1, 2019 is disclosed in Note 3.

As indicated above, the Group has adopted IFRS 16 retrospectively from April 1, 2019, but has not restated comparatives for the year-ended March 31, 2019, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position at April 1, 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities are now measured at the present value of the remaining lease payments, using the interest rate implicit in the lease. Interest rate implicit in the lease cannot be determined, hence, the Group's incremental borrowing rate is used as of April 1, 2019. The weighted average Group's incremental borrowing rate applied to the lease liabilities on April 1, 2019 was 4.29%.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended September 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)**2.3 New and amended standards adopted by the Group (continued)****(a) Adjustments recognised on adoption of IFRS 16 (continued)**

	April 1, 2019 (Unaudited)
Operating lease commitments as at April 1, 2019	39,288
Discounted using the lessee's incremental borrowing rate at the date of initial application	31,914
Less: short-term leases recognised on a straight-line basis as expense	(6,872)
Add: adjustments as a result of a different treatment of extension options	39,906
Lease liabilities recognised as at April 1, 2019	64,948
Classified as:	
Current lease liabilities	13,826
Non-current lease liabilities	51,122
	64,948

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at April 1, 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at April 1, 2019 (date of initial application).

	September 30, 2019 (Unaudited)	April 1, 2019 (Unaudited)
The recognised right-of-use assets relate to the following types of assets:		
Land	37,784	38,537
Buildings	10,729	13,974
Vehicles	13,276	15,839
Total right-of-use assets	61,789	68,350

The change in accounting policy affected the following items in the statement of financial position on April 1, 2019:

- right-of-use assets - increase by Saudi Riyals 68.4 million
- prepayment - decrease by Saudi Riyals 4.8 million
- lease liabilities - increase by Saudi Riyals 64.9 million
- other liabilities - decrease by Saudi Riyals 1.4 million

There is no net impact on retained earnings on April 1, 2019 as a consequence of change in accounting policy.

(b) Impact on segment disclosures and earnings per share

Segment assets and segment liabilities for September 30, 2019 are increased as a result of the adoption of IFRS 16. The following segments were affected by the change in policy:

	Drinks	Non-drinks	Unallocated	Total
Impact on assets	51,992	9,797	(5,323)	56,466
Impact on liabilities	47,389	8,787	(1,788)	54,388

Earnings per share increased by Saudi Riyal 0.07 per share for the six-month period to September 30, 2019 as a result of the adoption of IFRS 16.

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at April 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended September 30, 2019 (Unaudited)****(All amounts in Saudi Riyals thousands unless otherwise stated)**

2. Basis of preparation (continued)**2.3 New and amended standards adopted by the Group (continued)**

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 'Determining whether an Arrangement contains a Lease'.

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

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

2.5 Critical accounting estimates and judgements

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities were the same as those described in the last annual consolidated financial statements except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which are described in Note 3 below.

3. Significant accounting policies

The accounting policies adopted by the Group for the preparation of the condensed consolidated interim financial information are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended March 31, 2019, except for accounting policies related to the new standards adopted by the Group effective as of April 1, 2019 (see Note 2.3).

3.1 Leases

The Group has leases for various accommodation, lands, warehouses and depot facilities. Rental contracts are typically made for fixed periods of 1 to 20 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.

Until the last financial year-ended March 31, 2019, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the condensed consolidated interim statement of profit or loss on a straight-line basis over the period of the lease.

From April 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at 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 the condensed consolidated interim 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. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended September 30, 2019 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	Three-month period ended				Six-month period ended			
	Drinks	Non-Drinks	Unallocated	Total	Drinks	Non-Drinks	Unallocated	Total
September 30, 2018 (Unaudited)								
Revenue - net	278,666	197,958	-	476,624	526,575	360,220	-	886,795
Profit before zakat	36,422	21,382	-	57,804	72,807	38,797	-	111,604
Depreciation	12,040	4,577	-	16,617	24,402	8,726	-	33,128

	September 30, 2018 – Restated Note 16			
	Drinks	Non-Drinks	Unallocated	Total
Property, plant and equipment	537,100	223,529	-	760,629
Intangible assets	-	30,712	-	30,712
Other non-current assets	-	5,504	243	5,747
Current assets	-	45,698	1,001,221	1,046,919
Total assets	537,100	305,443	1,001,464	1,844,007

	September 30, 2018 – Restated Note 16			
	Drinks	Non-Drinks	Unallocated	Total
Current liabilities	-	18,796	323,398	342,194
Non-controlling interest put option	-	23,420	-	23,420
Non-current portion of contingent consideration payable	-	3,681	-	3,681
Employee benefit obligation	-	195	111,835	112,030
	-	46,092	435,233	481,325

	Drinks	Non-drinks	Unallocated	Total
Segment assets as of March 31, 2019 (Audited)				
Property, plant and equipment	562,187	224,834	-	787,021
Intangible assets	-	28,713	-	28,713
Other non-current assets	-	4,661	243	4,904
Current assets	-	49,244	1,045,860	1,095,104
Total assets	562,187	307,452	1,046,103	1,915,742

Segment liabilities as of March 31, 2019 (Audited)				
Current liabilities	-	29,495	390,879	420,374
Non-controlling interest put option	-	24,088	-	24,088
Non-current portion of contingent consideration payable	-	3,845	-	3,845
Employee benefit obligations	-	230	109,346	109,576
	-	57,658	500,225	557,883

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended September 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

The management has categorized its geographical operations as follows:

	Three-month period ended September 30,		Six-month period ended September 30,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Geographic information				
Revenue from external customers				
Kingdom of Saudi Arabia	456,613	406,715	862,969	791,033
Poland	38,773	47,583	90,628	47,583
Gulf Cooperation Council (GCC countries)	14,248	13,657	29,362	28,316
Other	11,444	8,669	23,351	19,863
Total	521,078	476,624	1,006,310	886,795

	September 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Non-current operating assets		
Kingdom of Saudi Arabia	780,953	731,049
Poland	77,467	77,863
Gulf Cooperation Council (GCC countries)	9,409	9,711
Other	1,958	2,015
Total	869,787	820,638

4.2 Adjustments

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

4.3 Reconciliation of profit

	Three-month period ended September 30,		Six-month period ended September 30,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Profit before zakat	69,808	57,804	132,045	111,604
Zakat	(4,680)	(3,973)	(9,011)	(7,745)
Profit after zakat	65,128	53,831	123,034	103,859

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended September 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. Group information

The condensed consolidated interim financial information of the Group includes:

Name	Relationship	Principal activities	Country of incorporation	% equity interest	
				September 30, 2019	March 31, 2019
SADAFCO Bahrain Company SPC	Subsidiary	Foodstuff and dairy products	Bahrain	100%	100%
SADAFCO Jordan Foodstuff Company LLC	Subsidiary	Foodstuff and dairy products	Jordan	100%	100%
SADAFCO Qatar Company	Subsidiary	Foodstuff and dairy products	Qatar	75%	75%
SADAFCO Kuwait Foodstuff Co. W.L.L (*)	Subsidiary	Foodstuff and dairy products	Kuwait	49%	49%
SADAFCO Poland sp. Z.o.o. ("SADAFCO Poland")	Subsidiary	Holding company	Poland	100%	100%
Mlekoma sp. Z.o.o.	Subsidiary	Dairy products	Poland	76%	76%
Foodexo sp. Z.o.o.	Subsidiary	Dairy products	Poland	76%	76%
Mlekoma Dairy Z.o.o	Associate	Dairy products	Poland	37%	37%

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

6. Earnings per share

The basic and dilutive earnings per share is computed as follows:

	Three-month period ended September 30,		Six-month period ended September 30,	
	2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)
Profit attributable to owners of SADAFCO (Saudi Riyals)	65,159	54,092	123,442	104,292
Weighted average number of ordinary shares outstanding (in thousands)	32,000	32,500	32,000	32,500
Basic and diluted earnings per share (Saudi Riyals)	2.04	1.66	3.86	3.21

Weighted average number of shares as of September 30, 2019 are adjusted to reflect the effect of treasury shares held by the Company. Additional details of the transaction were disclosed in Note 31 of the Group's annual consolidated financial statements for the year ended March 31, 2019.

7. Property, plant and equipment

- The ownership interest of the Group in certain freehold land held in Madinah at September 30, 2019 amounting to Saudi Riyals 1.54 million (March 31, 2019: Saudi Riyals 1.54 million) is through a shareholder of the Group. The Group holds legal documents confirming its beneficial interest.
- The additions during the six-month period ended September 30, 2019 amounting to Saudi Riyals 28.7 million (year-ended March 31, 2019: Saudi Riyals 146.1 million and six-month period ended September 30, 2018: Saudi Riyals 121 million), mainly represent addition to capital work-in-progress for warehouses and plant and machinery in the factories.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended September 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

8. Right-of-use assets

	Land	Buildings	Vehicles	Total
At April 1, 2019				
Cost	38,537	13,974	15,839	68,350
Accumulated depreciation	-	-	-	-
Net book value (Unaudited)	38,537	13,974	15,839	68,350
Six-month period ended September 30, 2019				
Opening net book value	38,537	13,974	15,839	68,350
Depreciation charge	(753)	(3,245)	(2,563)	(6,561)
Closing net book value (Unaudited)	37,784	10,729	13,276	61,789
At September 30, 2019				
Cost	38,537	13,974	15,839	68,350
Accumulated depreciation	(753)	(3,245)	(2,563)	(6,561)
Net book value (Unaudited)	37,784	10,729	13,276	61,789

9. Lease liabilities

	September 30, 2019 (Unaudited)
At April 1, 2019	64,948
Payments made	(10,041)
Interest charged	1,269
At September 30, 2019	56,176

The scheduled maturities of the lease liabilities as of period ended September 30, 2019 are as follows:

	Principal amount	Interest	Net lease liabilities
Current portion	17,465	(2,077)	15,388
Non-current portion	61,196	(20,408)	40,788
	78,661	(22,485)	56,176

10. Zakat matters

Zakat assessments for the years up to and including 2017 have been finalized with the General Authority of Zakat and Tax (GAZT) during the period ended September 30, 2019. The GAZT has released bank guarantees of Saudi Riyals 10 million relating to these years.

The GAZT has not yet raised an assessment for the year 2018 and 2019.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended September 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

11. Related party matters**11.1 Transactions and balances with related parties**

- (a) Transactions with related parties were undertaken in the ordinary course of business at commercial terms and were approved by the management.
- (b) Significant transactions and balances with related parties are described as under:

Transactions with	Nature of transaction	Amount of transactions				Due to related parties	
		Three-month period ended September 30,		Six-month period ended September 30,		September 30, 2019	March 31, 2019
		2019 (Unaudited)	2018 (Unaudited)	2019 (Unaudited)	2018 (Unaudited)	(Unaudited)	(Audited)
Buruj Cooperative Insurance Company (affiliate) (*)	Insurance premium	2,950	2,662	5,598	5,276	2,619	2,048
PKC Advisory	Consultancy services	281	-	479	-	-	19
						<u>2,619</u>	<u>2,067</u>

(*) These transactions represent the insurance expense net of any claims received from Buruj Co-operative insurance Company.

11.2 Compensation of key management personnel of the Group

Compensation to Group's key management personnel includes salaries, and contributions to post-employment defined benefit plan. The Group has recognized an expense of Saudi Riyals 8.6 million for the six-month period ended September 30, 2019 (2018: Saudi Riyals 7.1 million).

12. Financial Instruments**12.1 Financial assets**

	September 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Financial assets at amortised cost		
Trade and other receivables – net	210,318	192,792
Cash and cash equivalents	604,546	582,055
Total financial assets	<u>814,864</u>	<u>774,847</u>

Trade and other receivables

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

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended September 30, 2019 (Unaudited)****(All amounts in Saudi Riyals thousands unless otherwise stated)****12. Financial Instruments (continued)****12.2 Financial liabilities**

	September 30, 2019 (Unaudited)	March 31, 2019 (Audited)
Financial liabilities at amortized cost		
Trade and other payables	187,664	198,086
Accruals and other liabilities	238,332	197,869
Lease liabilities	56,176	-
Dividends payable	3,192	3,077
Due to related parties	2,619	2,067
	487,983	401,099
Financial liabilities at fair value through profit or loss		
Non-controlling interest put option	25,712	24,088
Contingent consideration payable	6,961	6,842
	32,673	30,930
Total financial liabilities	520,656	432,029

12.3 Fair value measurement

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the 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.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended September 30, 2019 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

12. Financial Instruments (continued)**12.4 Financial instruments carried at fair value****a) Valuation techniques used to determine fair values**

Specific valuation techniques used to value financial instruments include:

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

b) Fair value measurements using significant unobservable inputs (level 3)

	Contingent consideration payable	Non- controlling interest put option
April 1, 2019 (audited)	6,931	24,088
Unwinding of discount	30	1,624
September 30, 2019 (unaudited)	<u>6,961</u>	<u>25,712</u>

13. Commitments and contingencies

- (a) As at September 30, 2019, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 41.9 million (March 31, 2019: Saudi Riyals 34.0 million).
- (b) As at September 30, 2019, the Group has a contingent liability of Saudi Riyals 1.3 million (March 31, 2019: Saudi Riyals 11.3 million) in respect of guarantees issued for various business needs.
- (c) The Group entered into an asset purchase agreement ("APA") with a third party on July 4, 2019, to acquire a factory, which is currently non-operational, in Jeddah, Saudi Arabia, for Saudi Riyals 18 million which mainly comprises buildings and plant and machinery. The purchase transaction has not been completed as of September 30, 2019 and at this date the Group has an outstanding commitment of Saudi Riyals 15 million.

14. Other reserves

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

15. Dividends

In the General Assembly meeting of the Group held on June 11, 2019, the shareholders authorized dividends of Saudi Riyals 2 per share amounting to Saudi Riyals 64.0 million.

16. Business combination

SADAFCO through its wholly-owned subsidiary, SADAFCO Poland, acquired a total stake of 76% in Mlekoma group on July 2, 2018. The details of the acquisition were disclosed in Note 8 of the Group's annual consolidated financial statements for the year ended March 31, 2019.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month and six-month periods ended September 30, 2019 (Unaudited)****(All amounts in Saudi Riyals thousands unless otherwise stated)****16. Business combination (continued)**

The acquisition of Melkoma Group had been accounted for based on provisional fair values of identifiable assets, liabilities and contingent liabilities as of September 30, 2018. The Group finalized the purchase price allocation of such identifiable assets, liabilities and contingent liabilities acquired during the year ended March 31, 2019, the details of which are disclosed in Note 8 of the annual consolidated financial statements of the Group for the year ended March 31, 2019. The effects on condensed consolidated interim statement of financial position as of September 30, 2018 are as follows:

	Amounts previously reported	Effects of above	Amounts after change
Non-current assets			
Property, plant and equipment	751,903	8,726	760,629
Intangible assets	31,181	(469)	30,712
Other non-current assets	4,796	951	5,747
Current assets	<u>1,045,425</u>	<u>1,494</u>	<u>1,046,919</u>
Current liabilities	<u>340,695</u>	<u>1,499</u>	<u>342,194</u>
Equity			
Non-controlling interest	<u>15,847</u>	<u>5,289</u>	<u>21,136</u>

The effects on condensed consolidated interim statement of comprehensive income for the three-month and six-month periods ended September 30, 2018 and condensed consolidated interim statement of cash flows for the six-month period ended September 30, 2018 were immaterial.

17. Approval and authorization for issue

On October 21, 2019, these condensed consolidated interim financial information were authorized for issue by the Board of Directors.