

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

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS (UNAUDITED)**

with

INDEPENDENT AUDITOR'S REPORT

For the three-month and six-month periods ended September 30, 2023

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

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For three-month and six-month periods ended September 30, 2023

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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. 55078
جدة 21534
المملكة العربية السعودية
سجل تجاري رقم ٤٠٣٠٢٩٠٧٩٢

المركز الرئيسي في الرياض

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

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

Introduction

We have reviewed the accompanying September 30, 2023 condensed consolidated interim financial statements of Saudia Dairy and Foodstuff Company (the "Company" or "SADAFCO") and its subsidiaries ("the Group"), which comprises:

- the condensed consolidated statement of financial position as at September 30, 2023;
- the condensed consolidated statement of profit or loss for the three-month and six-month periods ended September 30, 2023;
- the condensed consolidated statement of comprehensive income for the three-month and six-month periods ended September 30, 2023;
- the condensed consolidated statement of changes in equity for the six-month period ended September 30, 2023;
- the condensed consolidated statement of cash flows for the six-month period ended September 30, 2023; 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 condensed consolidated interim financial statements 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.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR40,000,000 (previously known as "KPMG Al Fozan & Partners Certified Public Accountants") and 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، رأسمالها (٤٠,٠٠٠,٠٠٠) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الوزان وشركاء 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.

SAUDIA DAIRY AND FOODSTUFF COMPANY (SADAFECO)
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at September 30, 2023

(Expressed in thousand Saudi Arabian Riyals, unless otherwise stated)

	Notes	September 30, 2023 (Unaudited)	March 31, 2023 (Audited)
ASSETS			
Property, plant and equipment	7	901,803	926,079
Right-of-use assets		55,919	62,679
Intangible assets	8	8,502	15,753
Other non-current assets		7,090	5,165
Equity accounted investee		1,107	539
Long term investment	9	38,278	38,258
Non-current assets		1,012,699	1,048,473
Inventories		420,070	419,534
Trade receivables	10	277,761	285,812
Prepayments and other receivables		53,850	45,545
Short term investments	11	419,343	394,520
Cash and cash equivalents	12	377,353	290,299
Current assets		1,548,377	1,435,710
Total assets		2,561,076	2,484,183
EQUITY			
Share capital	13	325,000	325,000
Statutory reserve		162,500	162,500
Other reserves	19	356,350	334,049
Treasury shares		(51,559)	(51,559)
Foreign currency translation reserves		(7,597)	(10,401)
Retained earnings		1,017,756	893,577
Equity attributable to equity holders of the parent		1,802,450	1,653,166
Non-controlling interests		358	22,381
Total equity		1,802,808	1,675,547
LIABILITIES			
Employee benefit obligations		148,310	140,138
Lease liabilities – non-current portion		46,030	51,647
Non-current liabilities		194,340	191,785
Trade and other payables		207,980	187,065
Accrued expenses and other liabilities		319,870	319,591
Non-controlling interest put option	14.1	--	65,163
Due to related parties	16	1,967	3,391
Lease liabilities – current portion		10,838	12,297
Dividends payable	20	6,100	3,595
Accrued Zakat and income tax	15	17,173	25,749
Current liabilities		563,928	616,851
Total liabilities		758,268	808,636
Total equity and liabilities		2,561,076	2,484,183

The notes on pages from 8 to 25 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

Subir Swarajya Dhawan
Chief Financial Officer

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three-month and six-month periods ended September 30, 2023

(Expressed in thousand Saudi Arabian Riyals, unless otherwise stated)

	Notes	For the three-month period ended		For the six-month period ended	
		September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Revenue – net	4	744,361	694,490	1,423,593	1,325,815
Cost of revenue		(462,034)	(471,205)	(905,848)	(900,323)
Gross profit		282,327	223,285	517,745	425,492
Selling and distribution expenses		(105,940)	(80,100)	(205,981)	(160,726)
General and administrative expenses		(31,120)	(29,264)	(62,306)	(61,195)
Impairment loss on trade receivables	10	(94)	(264)	(94)	(537)
Impairment loss on non-financial assets	8	(7,367)	--	(7,367)	--
Other income		597	889	1,368	1,383
Operating profit		138,403	114,546	243,365	204,417
Finance income		10,209	4,392	19,787	6,802
Finance costs	14	(28,634)	(30,517)	(29,354)	(58,603)
Net finance cost		(18,425)	(26,125)	(9,567)	(51,801)
Share of profit from equity accounted investee		314	150	608	84
Profit before zakat and income tax		120,292	88,571	234,406	152,700
Zakat and income tax	15	(7,474)	(2,450)	(13,949)	(10,300)
Profit for the period		112,818	86,121	220,457	142,400
Profit is attributable to:					
Equity holders of the parent		114,473	85,551	223,014	139,879
Non-controlling interests		(1,655)	570	(2,557)	2,521
		112,818	86,121	220,457	142,400
Earnings per share (EPS):					
Basic and diluted earnings per share attributable to owners of the Company (SR)	6	3.58	2.67	6.97	4.37

The notes on pages from 8 to 25 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



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Chief Financial Officer

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the three-month and six-month periods ended September 30, 2023
(Expressed in thousand Saudi Arabian Riyals, unless otherwise stated)

	For the three-month period ended		For the six-month period ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit for the period	112,818	86,121	220,457	142,400
Other comprehensive income / (loss)				
<i>Items that are or may be reclassified to profit or loss</i>				
Foreign operations – foreign currency translation difference	388	(4,262)	2,804	(5,780)
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurements of post-employment benefit obligations	--	--	--	--
Other comprehensive income / (loss) for the period	388	(4,262)	2,804	(5,780)
Total comprehensive income for the period	113,206	81,859	223,261	136,620
Total comprehensive income for the period is attributable to:				
Equity holders of the parent	115,993	83,382	225,818	137,560
Non-controlling interests	(2,787)	(1,523)	(2,557)	(940)
	113,206	81,859	223,261	136,620

The notes on pages from 8 to 25 form an integral part of these condensed consolidated interim financial statements.



Mussad Abdullah Al Nassar
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Chief Executive Officer



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Chief Financial Officer

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended September 30, 2023

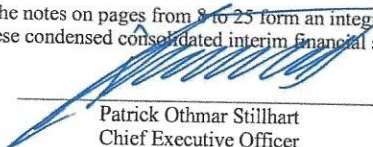
(Expressed in thousand Saudi Arabian Riyals, unless otherwise stated)

	Attributable to equity holders of the parent							
	Share capital	Statutory reserve	Other reserves	Treasury shares	Foreign currency translation reserves	Retained earnings	Total	Non- controlling interests
Balance at April 1, 2022	325,000	162,500	303,172	(51,559)	(11,506)	812,596	1,540,203	21,151
Profit for the period	--	--	--	--	--	139,879	139,879	2,521
Other comprehensive loss	--	--	--	--	(2,319)	--	(2,319)	(3,461)
Total comprehensive (loss) / income for the period	--	--	--	--	(2,319)	139,879	137,560	(940)
Dividends (Note 20)	--	--	--	--	--	(96,000)	(96,000)	--
Transfer to other reserves (Note 19)	--	--	13,988	--	--	(13,988)	--	--
Balance as at September 30, 2022 (Unaudited)	325,000	162,500	317,160	(51,559)	(13,825)	842,487	1,581,763	20,211
Balance at April 1, 2023	325,000	162,500	334,049	(51,559)	(10,401)	893,577	1,653,166	22,381
Profit for the period	--	--	--	--	--	223,014	223,014	(2,557)
Other comprehensive income	--	--	--	--	2,804	--	2,804	--
Total comprehensive income for the period	--	--	--	--	2,804	223,014	225,818	(2,557)
Dividends (Note 20)	--	--	--	--	--	(96,000)	(96,000)	--
Transfer to other reserves (Note 19)	--	--	22,301	--	--	(22,301)	--	--
Acquisition of non-controlling interest	--	--	--	--	--	19,466	19,466	(19,466)
Balance at September 30, 2023 (Unaudited)	325,000	162,500	356,350	(51,559)	(7,597)	1,017,756	1,802,450	358



Mussad Abdullah Al Nassar
Member Board of Directors

The notes on pages from 8 to 25 form an integral part of these condensed consolidated interim financial statements.



Patrick Othmar Stillhart
Chief Executive Officer



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Chief Financial Officer

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended September 30, 2023

(Expressed in thousand Saudi Arabian Riyals, unless otherwise stated)

	Notes	September 30, 2023	September 30, 2022
Cash flows from operating activities			
Profit before zakat and income tax		234,406	152,700
<u>Adjustments for:</u>			
Depreciation on property, plant and equipment	7	52,337	52,511
Depreciation on right-of-use assets		6,906	7,134
Amortization of intangible assets		--	1,412
Gain on disposal of property, plant and equipment		(80)	(251)
Impairment loss on trade receivables	10	94	537
Impairment of non-financial assets	8	7,367	--
Finance costs	14	29,354	58,603
Finance income		(19,787)	(6,802)
Share of profit from equity accounted investee		(608)	(84)
Provision for employee benefit obligations		10,866	9,027
Provision for slow moving inventories		--	24
		<u>320,855</u>	<u>274,811</u>
<u>Changes in:</u>			
Inventories		(536)	(171,389)
Trade and other receivables		7,957	14,017
Prepayments and other receivables		(8,305)	(3,304)
Trade and other payables		20,915	22,604
Due to related parties		(1,424)	12
Accrued expense and other liabilities		279	23,810
Cash generated from operating activities		<u>339,741</u>	<u>160,561</u>
Employee benefit obligations paid		(2,694)	(4,875)
Finance costs paid		(7,697)	(7,556)
Zakat and income tax paid	15	(22,525)	(20,037)
Net cash from operating activities		<u>306,825</u>	<u>128,093</u>
Cash flows from investing activities			
Interest received		6,924	6,802
Purchases of property, plant and equipment	7	(28,467)	(46,200)
Proceeds from disposal of property, plant and equipment		115	271
Short term investments		(386,500)	--
Proceeds from maturity of short term investment		374,520	--
Net movement in other non-current assets		(1,925)	(1,355)
Net cash used in investing activities		<u>(35,333)</u>	<u>(40,482)</u>
Cash flows from financing activities			
Dividends paid		(93,495)	(95,789)
Repayments of finance costs on lease liabilities		(1,345)	(1,393)
Principal repayment of lease liabilities		(6,886)	(6,257)
Acquisition of non-controlling interests		(88,967)	--
Net cash used in financing activities		<u>(190,693)</u>	<u>(103,439)</u>
Net increase / (decrease) in cash and cash equivalents		80,799	(15,828)
Effects of exchange rate fluctuations on cash and cash equivalents		6,255	(5,501)
Cash and cash equivalents at the beginning of the period		<u>290,299</u>	<u>625,962</u>
Cash and cash equivalents at the end of the period		<u>377,353</u>	<u>604,633</u>

The notes on pages from 8 to 25 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

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Chief Financial Officer

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended September 30, 2023

(Expressed in thousand Saudi Arabian Riyals, unless otherwise stated)

1. REPORTING ENTITY

Saudia Dairy and 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 registered office of the Company is located at the following address:

Ibrahim Almalki Street,
Alnakhil District
P.O. Box 5043, Jeddah 21422
Kingdom of Saudi Arabia

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

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

<u>Commercial Registration No.</u>	<u>Location of Branch</u>	<u>Commercial Registration No.</u>	<u>Location of Branch</u>
1010138304	Riyadh	2511003119	Hafr Elbatin
1010138318	Riyadh	3350006499	Hail
1116003338	Riyadh	3403005857	Hasa
1131010561	Buraydah	3550007577	Tabouk
2050031704	Dammam	4030122648	Jeddah
5950003515	Najran	4030279567	Jeddah
2251018568	Dhahran	4030311244	Jeddah
1011150527	AlKharj	4030424042	Jeddah
4032019884	Taif	4031019174	Makkah
4700003368	Yanbu	4650005848	Madinah
5860013254	Abha	5852001684	Sabt Al Alaya
5900003767	Jizan	5860013254	Abha

During the period, the shareholders of the Company approved the recommendation to amend the fiscal year end of the Company from March 31 to December 31. The change in fiscal year will not have any negative effects on the Company’s financial or operational performance.

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 the 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, 2023 (“last annual Financial Statements”).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended September 30, 2023

(Expressed in thousand Saudi Arabian Riyals, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.1 Statement of compliance (continued)

These condensed consolidated interim financial statements do not include all of the information required for a complete set of 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 September 30, 2023, are not necessarily indicative of the results that may be expected for the financial period ending December 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 interest put option is recognised at the present value of the redemption amount; and
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.

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

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 the 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.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended September 30, 2023

(Expressed in thousand Saudi Arabian Riyals, unless otherwise stated)

2. BASIS OF PREPARATION (continued)

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 condensed consolidated interim financial statements on adoption. The Group intends to adopt these standards, where applicable, when they become effective.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 16	Lease Liability in a Sale and Leaseback – Amendment	January 01, 2024
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 01, 2024
IAS 1	Non-current liabilities with covenants (amendments to IAS 1)	January 01, 2024
IFRS 10 and IAS 28	Sale or contribution of assets between an 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 the preparation of the Group's annual consolidated financial statements for the year ended March 31, 2023, except for the adoption of amendments and interpretations effective as at January 1, 2023, 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.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended September 30, 2023

(Expressed in thousand Saudi Arabian Riyals, unless otherwise stated)

4. SEGMENT INFORMATION

4.1 Operating segment

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and are managed separately because they require different marketing strategies. The Group's Board of Directors and Chief Executive Officer monitors 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.

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

For each of the strategic business units, the CODM reviews internal management reports on at least a quarterly basis. No operating segments have been aggregated to form the above reportable operating segments.

The drinks segment represents milk and juice products, while non-drinks represent ice creams, tomato paste, cheese and snacks.

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

	<u>Three-month period ended</u>				<u>Six-month period ended</u>			
	<u>Drinks</u>	<u>Non-Drinks</u>	<u>Unallocated</u>	<u>Total</u>	<u>Drinks</u>	<u>Non-Drinks</u>	<u>Unallocated</u>	<u>Total</u>
September 30, 2023 (Unaudited)								
<u>Segment profit or loss:</u>								
Revenue – net	433,164	399,224	--	832,388	852,143	708,137	--	1,560,280
Inter-segment revenue - net	(28,073)	(59,954)	--	(88,027)	(41,960)	(94,727)	--	(136,687)
Revenue from external customers	405,091	339,270	--	744,361	810,183	613,410	--	1,423,593
Profit before zakat and income tax	84,624	25,553	10,115	120,292	145,256	69,457	19,693	234,406
Depreciation and amortization	(22,920)	(7,219)	--	(30,139)	(41,581)	(17,662)	--	(59,243)
Finance income	--	--	10,209	10,209	--	--	19,787	19,787
Finance costs	(110)	(28,524)	--	(28,634)	(830)	(28,524)	--	(29,354)
Share of profit of equity accounted investee	--	314	--	314	--	608	--	608
Impairment loss on trade receivables	--	--	(94)	(94)	--	--	(94)	(94)
Impairment loss on non-financial asset	--	(7,367)	--	(7,367)	--	(7,367)	--	(7,367)

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended September 30, 2023

(Expressed in thousand Saudi Arabian Riyals, unless otherwise stated)

4. SEGMENT INFORMATION (continued)

4.1 Operating segment (continued)

	September 30, 2023 (Unaudited)			
	Drinks	Non-Drinks	Unallocated	Total
<u>Segment assets:</u>				
Property, plant and equipment	627,616	274,187	--	901,803
Right-of-use assets	41,731	14,188	--	55,919
Intangible assets	--	8,502	--	8,502
Other non-current assets	--	7,090	--	7,090
Equity accounted investee	--	1,107	--	1,107
Long-term investment	--	--	38,278	38,278
Current assets	481,650	282,874	783,853	1,548,377
Total assets	1,150,997	587,948	822,131	2,561,076
<u>Segment liabilities:</u>				
Current liabilities	6,616	116,216	441,096	563,928
Lease liabilities - non-current portion	35,419	10,611	--	46,030
Employee benefit obligations	--	707	147,603	148,310
Total liabilities	42,035	127,534	588,699	758,268

	Three-month period ended				Six-month period ended			
	Drinks	Non-Drinks	Unallocated	Total	Drinks	Non-Drinks	Unallocated	Total
September 30, 2022 (Unaudited)								
<u>Segment profit or loss:</u>								
Revenue – net	390,796	354,387	--	745,183	752,614	670,406	--	1,423,020
Inter-segment revenue - net	(10,761)	(39,932)	--	(50,693)	(21,672)	(75,533)	--	(97,205)
Revenue from external customers	380,035	314,455	--	694,490	730,942	594,873	--	1,325,815
Profit before zakat and income tax	69,318	18,421	832	88,571	100,830	51,270	600	152,700
Depreciation and amortization	(20,777)	(10,009)	--	(30,786)	(41,245)	(19,812)	--	(61,057)
Finance income	--	3,296	1,096	4,392	--	5,665	1,137	6,802
Finance costs	(466)	(30,051)	--	(30,517)	(979)	(57,624)	--	(58,603)
Share of profit of equity accounted investee	--	150	--	150	--	84	--	84
Impairment loss on trade receivables	--	--	(264)	(264)	--	--	(537)	(537)

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4. SEGMENT INFORMATION (continued)

4.1 Operating segment (continued)

	<u>September 30, 2022 (Unaudited)</u>			
	<u>Drinks</u>	<u>Non-Drinks</u>	<u>Unallocated</u>	<u>Total</u>
<i><u>Segment assets:</u></i>				
Property, plant and equipment	626,039	296,435	--	922,474
Right-of-use assets	49,087	9,915	--	59,002
Intangible assets	--	14,123	--	14,123
Other non-current assets	--	6,231	243	6,474
Equity accounted investee	--	537	--	537
Current assets	59,138	122,185	1,219,408	1,400,731
Total assets	<u>734,264</u>	<u>449,426</u>	<u>1,219,651</u>	<u>2,403,341</u>
<i><u>Segment liabilities:</u></i>				
Current liabilities	--	44,142	498,817	542,959
Non-controlling interest put option	--	65,986	--	65,986
Lease liabilities - non-current portion	49,535	10,590	--	60,125
Employee benefit obligations	--	235	132,062	132,297
Total liabilities	<u>49,535</u>	<u>120,953</u>	<u>630,879</u>	<u>801,367</u>
	<u>March 31, 2023 (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	631,164	294,915	--	926,079
Right-of-use assets	51,662	11,017	--	62,679
Intangible assets	--	15,753	--	15,753
Other non-current assets	--	5,165	--	5,165
Equity accounted investee	--	--	539	539
Long-term investment	--	--	38,258	38,258
Current assets	62,234	133,459	1,240,017	1,435,710
Total assets	<u>745,060</u>	<u>460,309</u>	<u>1,278,814</u>	<u>2,484,183</u>
<i><u>Segment liabilities</u></i>				
Current liabilities	9,240	138,446	469,165	616,851
Lease liabilities - non-current portion	42,982	8,665	--	51,647
Employee benefit obligations	--	271	139,867	140,138
Total liabilities	<u>52,222</u>	<u>147,382</u>	<u>609,032</u>	<u>808,636</u>

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4. SEGMENT INFORMATION (continued)

4.1 Operating segment (continued)

The management has categorized its geographical operations as follows:

	Three-month period ended September 30, <u>2023</u> <u>2022</u>		Six-month period ended September 30, <u>2023</u> <u>2022</u>	
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Geographic information:</u>				
<u>Revenue from external customers:</u>				
Kingdom of Saudi Arabia	637,685	582,039	1,217,389	1,085,733
Poland	47,930	69,072	93,206	159,060
Gulf Cooperation Council (GCC) countries	20,713	15,834	40,922	30,180
Others	38,033	27,545	72,076	50,842
Total	<u>744,361</u>	<u>694,490</u>	<u>1,423,593</u>	<u>1,325,815</u>
		September 30, <u>2023</u> (Unaudited)	March 31, <u>2023</u> (Audited)	

Non-current operating assets:

Kingdom of Saudi Arabia	914,112	935,322
Poland	48,173	54,460
Gulf Cooperation Council (GCC) countries	8,793	11,080
Others	3,343	9,353
Total	<u>974,421</u>	<u>1,010,215</u>

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5. GROUP INFORMATION

The condensed consolidated interim financial statements of the Group include:

<u>Name</u>	<u>Relationship</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Percentage of equity interest</u>	
				<u>September 30, 2023</u>	<u>March 31, 2023</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	100%	76%
Foodexo Sp. z o.o. (**)	Subsidiary	Dairy products	Poland	100%	76%
Mlekoma Dairy Sp. z o.o. (**)	Associate	Dairy products	Poland	49%	37%

(*) The Group considers the SADAFCO Kuwait Foodstuff Co. W.L.L ("investee company") as 100% subsidiary and held 51% beneficial interest in the investee company through parties nominated by the Group.

(**) These entities together are referred to as "Mlekoma group". During the period ended September 30, 2023, the Group acquired an additional 24% interest in "Mlekoma group" under non-controlling interest put option agreement, increasing its ownership from 76 percent to 100 percent.

At September 30, 2023, the Group's parent entity is Kuwait Projects Company Holding ("KIPCO") and Group's ultimate parent entity is Al Futtooh Holding Company K.S.C. (Closed).

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6. EARNINGS PER SHARE (EPS)

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

	Three-month period ended September 30,		Six-month period ended September 30,	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the parent (SR '000')	114,473	85,551	223,014	139,879
The weighted average number of ordinary shares for the purposes of basic and diluted earnings ('000')	32,000	32,000	32,000	32,000
Basic and diluted earnings per share based on profit for the period attributable to equity holders of the parent (SR)	3.58	2.67	6.97	4.37

Diluted earnings per share has 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:

	September 30, <u>2023</u> (Unaudited)	March 31, <u>2023</u> (Audited)
Carrying amount at beginning of the period / year	926,079	935,403
Additions during the period / year	28,467	95,812
Disposals during the period / year	(35)	(314)
Depreciation charge for the period / year	(52,337)	(103,827)
Exchange difference for the period / year	(371)	(995)
Carrying amount at the end of the period / year	<u>901,803</u>	<u>926,079</u>

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8. INTANGIBLE ASSETS

Reconciliation of carrying amounts of goodwill is as follows:

	September 30, <u>2023</u> (Unaudited)	March 31, <u>2023</u> (Audited)
Carrying amount at beginning of the period / year	15,753	16,666
Impairment loss recognised during the period	(7,367)	--
Exchange difference for the period	116	(913)
Carrying amount at end of the period / year	<u>8,502</u>	<u>15,753</u>

As at September 30, 2023, the Group conducted an evaluation of the goodwill for potential impairment. Following this assessment, it was determined that the carrying value of the Cash Generating Unit (CGU) exceeded its recoverable amount. Consequently, an impairment loss of SR 7.4 million was recognized in the condensed consolidated interim financial statements. This impairment loss was entirely allocated to the goodwill.

The determination of "value-in-use" involved discounting the anticipated future cash flows that would result from the ongoing utilization of the CGU. The assessment of value-in-use as of September 30, 2023, was conducted in a manner consistent with the methodology employed in the goodwill impairment test performed on March 31, 2023, and was based on the following key assumptions.

Key assumptions	September 30, <u>2023</u>	March 31, <u>2023</u>
EBITDA margins	3.8%	4%
Discount rate	11.1%	10.9%
Terminal value growth rate	2.5%	2.5%

9. LONG TERM INVESTMENT

Long term investment comprise of following:

	September 30, <u>2023</u> (Unaudited)	March 31, <u>2023</u> (Audited)
Long term investment	<u>38,278</u>	<u>38,258</u>

The Group has invested SR 38 million in Tier 1 Sukuks, issued by Al Rajhi Bank, with a face value of SR 1,000 each. The Sukuks carry mark-up of 5.5% per annum and are classified at amortised cost. The Sukuks are having maturity date of November 16, 2027.

The Sukuks are listed on Tadawul and are currently actively traded in the market. The fair value of the Sukuks at September 30, 2023 was SR 1,008 (March 31, 2023: SR 1,012.7) per certificate. The investment is placed with a bank possessing a sound credit rating of AL, as assessed by Moody's credit rating agency.

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10. TRADE RECEIVABLES

Trade receivables comprise of the following:

	September 30, <u>2023</u> (Unaudited)	March 31, <u>2023</u> (Audited)
Trade receivables	305,626	313,583
Less: Allowance for impairment of trade receivables	(27,865)	(27,771)
	<u>277,761</u>	<u>285,812</u>

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

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

	September 30, <u>2023</u> (Unaudited)	March 31, <u>2023</u> (Audited)
Carrying amount at beginning of the period / year	27,771	39,190
Charge / (reversal) for the period / year	94	(11,419)
Carrying amount at the end of the period / year	<u>27,865</u>	<u>27,771</u>

The Group does not obtain collaterals over receivables, and the vast majority of receivables are, therefore, unsecured. Nevertheless, the group anticipates that unimpaired receivables will be recoverable based on its historical experience.

11. SHORT TERM INVESTMENTS

Short term investments comprise of the following:

	September 30, <u>2023</u> (Unaudited)	March 31, <u>2023</u> (Audited)
Short term murabaha deposits	<u>419,343</u>	<u>394,520</u>

- a) Short term murabaha deposits represent deposits with local banks that have original maturity of more than three months and less than twelve months from the investment date.
- b) These deposits earn commission at an average rate of 5.37% per annum as at September 30, 2023 (March 31, 2023: 5.10%).
- c) The investments are made in the banks with sound credit ratings ranging from A1 to A2 based on Moody's credit rating.

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12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	September 30, <u>2023</u> (Unaudited)	March 31, <u>2023</u> (Audited)
Cash in hand	10,481	6,268
Balances with banks - current account	111,460	44,717
Short term murabaha deposits with original maturity of less than three months	255,412	239,314
	<u>377,353</u>	<u>290,299</u>

The rates on short term murabaha deposits ranges from 5.0% to 6.2% per annum for the period ended September 30, 2023 (March 31, 2023: 4.8% to 5.6% per annum).

13. SHARE CAPITAL

At September 30, 2023, the Company share capital is SR 325 million consisting of 32.5 million fully paid shares of SR 10 each (March 31, 2023: SR 325 million consisting of 32.5 million shares of SR 10 each).

14. FINANCE COSTS

Finance costs comprise of the following:

	<u>Notes</u>	September 30, <u>2023</u> (Unaudited)	September 30, <u>2022</u> (Unaudited)
Finance cost on NCI put option	14.1	20,520	49,710
Finance cost on lease liability		1,137	1,307
Others		7,697	7,586
		<u>29,354</u>	<u>58,603</u>

- 14.1** The non-controlling interest put option was a binding, irrevocable option to acquire from the non-controlling 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 sales and purchase agreement ("SPA"). The put option available to the non-controlling interest equity holders was exercisable within a period of 15 business days from the expiry date of the option. The redemption value was recognised as higher of the purchase price as per the SPA or determined by applying the earnings multiplier to the audited EBITDA of Mlekoma group as reduced by net debt in accordance with the SPA. During the period ended September 30, 2023, the put option was exercised by the non-controlling interest (NCI) holders. The total outflow in respect of acquisition of NCI amounts to SR 88.96 million.

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15. ACCRUED ZAKAT AND INCOME TAX

a) Charge for the period

Zakat and income tax comprise of the following:

	September 30, <u>2023</u> (Unaudited)	September 30, <u>2022</u> (Unaudited)
Zakat	16,103	12,053
Income tax refundable	(2,154)	(1,753)
Charge for the period	<u>13,949</u>	<u>10,300</u>

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 1, 2022	22,081	--	22,081
Charge for the year	25,433	3,220	28,653
Payments during the year	(21,765)	(3,220)	(24,985)
At March 31, 2023 (Audited)	25,749	--	25,749
At April 1, 2023	25,749	--	25,749
Charge / refundable during the period	16,103	(2,154)	13,949
Payments / receipt during the period	(22,525)	--	(22,525)
At September 30, 2023 (Unaudited)	<u>19,327</u>	<u>(2,154)</u>	<u>17,173</u>

c) Status of assessments

Zakat assessments for the years up to year ended March 31, 2020, have been finalized with the Zakat, Tax and Customs Authority (ZATCA).

The Group has filed the Zakat return for the year ended March 31, 2023 and received the zakat certificate valid until July 31, 2024. ZATCA is yet to issue its final assessments for years 2021, 2022 and 2023.

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16. RELATED PARTY TRANSACTIONS AND BALANCES

16.1 Transactions and balances with related parties

Related party transactions were undertaken in the ordinary course of business at commercially agreed terms and were approved by the management. For the purpose of these condensed consolidated interim financial statements, related parties are identified as affiliates of the Group include entities which are subsidiaries including subsidiaries and associates of KIPCO Group and key management personnel.

Significant related party transactions and balances for the period / year ended and balances arising there-from are described as under:

a) Due to related parties:

<u>Name</u>	<u>Nature of transaction</u>	<u>Amount of transactions</u>				<u>Due to related parties</u>	
		<u>Three-month period ended September 30,</u>		<u>Six-month period ended September 30,</u>		<u>September</u>	<u>March 31,</u>
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>30, 2023</u>	<u>2023</u>
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Buruj Cooperative Insurance Company (affiliate) (*)	Insurance premium	2,091	2,661	4,738	4,841	1,962	2,507
PKC Advisory (affiliate)	Consultancy services	1,058	30	1,058	306	--	--
AXA GIG SAUDI (affiliate)	Insurance premium	161	3	324	12	5	3
Alternative Energy Projects Co. (affiliate)	Purchase of solar energy systems	542	--	542	1,637	--	881
						<u>1,967</u>	<u>3,391</u>

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

b) Due to related parties under accrued expenses and other liabilities:

<u>Transaction with</u>	<u>Nature of transaction</u>	<u>Transactions with related parties</u>		<u>Closing balance</u>	
		<u>September 30, 2023</u>	<u>September 30, 2022</u>	<u>September 30, 2023</u>	<u>March 31, 2023</u>
Board of Directors and other committees	Remuneration	1,800	1800	1,800	4,475

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16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

16.1 Transactions and balances with related parties (continued)

Compensation of key management personnel of the Group

<u>Nature of transactions</u>	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
Short-term and long-term employee benefits	5,152	4,402

17. FINANCIAL INSTRUMENTS

17.1 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 by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the condensed consolidated interim financial statements are categorised within the fair value hierarchy, 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

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

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17. FINANCIAL INSTRUMENTS (continued)

17.1 Fair value measurement (continued)

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

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>September 30, 2023 (Unaudited)</u>				
Long-term investment	38,304	--	--	38,304
Non-controlling interest put option	--	--	--	--
<u>March 31, 2023 (Audited)</u>				
Long-term investment	38,483	--	--	38,483
Non-controlling interest put option	--	65,163	--	65,163

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

<u>September 30, 2023 (Unaudited)</u>	<u>Carrying amount</u>			
<u>Description:</u>	<u>Amortised cost</u>	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	<u>Total</u>
Financial assets not measured at fair value				
Long-term investment	38,278	--	--	38,278
Short-term investment	419,343	--	--	419,343
Trade receivables	277,761	--	--	277,761
Other receivables	643	--	--	643
Cash and cash equivalents	377,353	--	--	377,353
Financial liabilities measured at fair value				
Non-controlling put option	--	--	--	--
Financial liabilities not measured at fair value				
Trade and other payables	207,980	--	--	207,980
Accrued expenses and other liabilities	299,004	--	--	299,004
Lease liabilities	56,868	--	--	56,868
Dividend payables	6,100	--	--	6,100
Due to related parties	1,967	--	--	1,967

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17. FINANCIAL INSTRUMENTS (continued)

17.1 Fair value measurement (continued)

<u>March 31, 2023 (Audited)</u>	<u>Carrying amount</u>			<u>Total</u>
	<u>Amortised cost</u>	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
<u>Description:</u>				
Long-term investment	38,258	--	--	38,258
Short-term investment	394,520	--	--	394,520
Trade receivables	285,812	--	--	285,812
Other receivables	5,038	--	--	5,038
Cash and cash equivalents	290,299	--	--	290,299
Financial liabilities measured at fair value				
Non-controlling put option	--	65,163	--	65,163
Financial liabilities not measured at fair value				
Trade and other payables	187,065	--	--	187,065
Accrued expenses and other liabilities	298,454	--	--	298,454
Lease liabilities	63,944	--	--	63,944
Dividend payables	3,595	--	--	3,595
Due to related parties	3,391	--	--	3,391

18. COMMITMENTS AND CONTINGENCIES

In addition to contingencies disclosed in note 14, below are the commitments and contingencies of the Group:

- As at September 30, 2023, the Group has outstanding commitments for future capital expenditures amounting to SR 27.2 million (March 31, 2023: SR 24.6 million).
- As at September 30, 2023, the Group has contingent liabilities of SR 1.4 million (March 31, 2023: SR 1.4 million) in respect of guarantees issued for various business needs.

19. 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, a transfer of SR 22.3 million (period ended September 30, 2022: SR 13.9 million) has been made to the voluntary reserve.

20. DIVIDENDS

In the Extraordinary General Assembly Meeting of the Company held on August 22, 2023, the shareholders approved final dividend of SR 3 per share (March 31, 2023: SR 3 per share) amounting to SR 96 million (March 31, 2023: SR 96 million).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six-month period ended September 30, 2023

(Expressed in thousand Saudi Arabian Riyals, unless otherwise stated)

21. SUBSEQUENT EVENTS

There have been no significant subsequent events since the period end up to and including the date of the approval of these condensed consolidated interim financial statements by the Board of Directors that would require disclosures or adjustments in these condensed consolidated interim financial statements.

22. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors of the Group on October 29, 2023, corresponding to Rabi Al Thani 14, 1445H.