

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

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

with

INDEPENDENT AUDITOR'S REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 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 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Saudia Dairy and Foodstuff Company (SADAFCO) ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at March 31, 2023, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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، رأس مالها (40,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان 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 إنجليزية محدودة بضمان. جميع الحقوق محفوظة.

Commercial Registration of the headquarters in Riyadh is 1010425494.

Independent Auditor's Report

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

Key Audit Matter

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

Expected credit losses for trade receivables

Refer to Note 3 for the accounting policy and Note 20 of the consolidated financial statements.

Key audit matter	How our audit addressed the Key audit matter
<p>As at March 31, 2023, the gross trade receivables balance was Saudi Riyals 313.58 million (March 31, 2022: Saudi Riyals 272.84 million), against which an allowance for impairment loss of Saudi Riyals 27.77 million (March 31, 2022: Saudi Riyals 39.19 million) was maintained.</p> <p>The Group assesses at each reporting date whether the trade receivables (carried at amortized cost) are credit impaired. Consequently, it measures impairment allowances based on the Expected Credit Loss (ECL) model as required in International Financial Reporting Standard 9 ("Financial Instruments") ("IFRS 9").</p> <p>The ECL model involves the use of various assumptions and historical trends.</p> <p>We considered this as a key audit matter due to the judgements and estimates involved in the application of the ECL model and the impact on the trade receivables balance.</p>	<p>Our audit procedures related to expected credit losses for trade receivables included:</p> <ul style="list-style-type: none"> – Obtained an understanding of the management's process for determining the impairment of trade receivables and the ECL allowance. – Evaluated the Group's accounting policy and methodology for ECL allowance with the requirements of IFRS 9. – Involved our internal specialists to review the methodology used, including the significant judgements and assumptions used in the ECL model developed by the management. – Tested the accuracy of trade receivables aging on sample basis, as at March 31, 2023 generated by the accounting system which is used in the preparation of ECL model; and – Assessed the adequacy of the disclosures included in the accompanying financial statements in accordance with relevant accounting standards.

Other Matter Relating to the Comparative Information

The consolidated financial statements of the Group as at and for the year ended March 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 16, 2022.

Other Information

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

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

Independent Auditor's Report (continued)

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

Other Information (continued)

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	2023	2022
Revenue	6	2,648,013	2,170,327
Cost of sales	7	(1,825,304)	(1,513,697)
Gross profit		822,709	656,630
Selling and distribution expenses	8	(351,040)	(311,422)
General and administrative expenses	9	(113,876)	(113,439)
Impairment reversal / (loss) on trade receivables	20	11,419	(1,202)
Other income		1,799	5,643
Operating profit		371,011	236,210
Finance income	10	18,499	4,400
Finance costs	11	(50,001)	(7,310)
Net finance costs		(31,502)	(2,910)
Share of (loss) / profit of equity accounted investee	16	(392)	974
Profit before zakat and income tax		339,117	234,274
Zakat and income tax	26	(28,653)	(25,222)
Profit for the year		310,464	209,052
Profit for the year attributable to:			
Owners of the Company		308,771	207,291
Non-controlling interests		1,693	1,761
		310,464	209,052
Earnings per share:			
Basic and diluted earnings per share attributable to owners of the Company (Saudi Riyals)	12	9.65	6.48

The notes from 1 to 40 form part of these consolidated financial statements.



Mussad Abdullah Al Nassar
Member Board of Directors



Patrick Stillhart
Chief Executive Officer



Fahim Hamdani
Acting Chief Financial
Officer

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Profit for the year		310,464	209,052
Other comprehensive loss			
<i>Items that may be reclassified to profit or loss</i>			
Foreign Operations – foreign currency translation difference		642	(7,138)
<i>Items that will not be reclassified to profit or loss</i>			
Remeasurements of post-employment benefit obligations	31	<u>(4,913)</u>	<u>(3,726)</u>
Other comprehensive loss for the year		<u>(4,271)</u>	<u>(10,864)</u>
Total comprehensive income for the year		<u>306,193</u>	<u>198,188</u>
Total comprehensive income for the year attributable to:			
Owners of the Company		304,963	198,855
Non-controlling interests		<u>1,230</u>	<u>(667)</u>
		<u>306,193</u>	<u>198,188</u>

The notes from 1 to 40 form part of these consolidated financial statements.



Mussad Abdullah Al Nassar
Member Board of Directors



Patrick Stillhart
Chief Executive Officer



Fahim Hamdani
Acting Chief Financial
Officer

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Assets			
Non-current assets			
Property, plant and equipment	13	926,079	935,403
Right-of-use assets	14	62,679	64,954
Intangible assets	15	15,753	18,462
Other non-current assets		5,165	4,735
Equity accounted investee	16	539	921
Long term investment	17	38,258	--
		<u>1,048,473</u>	<u>1,024,475</u>
Current assets			
Inventories	19	419,534	359,421
Trade receivables	20	285,812	233,654
Prepayments and other receivables	21	45,545	42,908
Short term investments	22	394,520	--
Cash and cash equivalents	23	290,299	625,962
		<u>1,435,710</u>	<u>1,261,945</u>
Total assets		<u>2,484,183</u>	<u>2,286,420</u>
Liabilities			
Non-current liabilities			
Employee benefit obligations	31	140,138	128,145
Lease liabilities - non-current portion	14	51,647	56,107
Non-controlling interest put option	18	--	24,229
		<u>191,785</u>	<u>208,481</u>
Current liabilities			
Trade and other payables	27	187,065	191,501
Accrued expenses and other liabilities	28	319,591	287,898
Due to related parties	29	3,391	1,403
Non-controlling interest put option	18	65,163	--
Lease liabilities - current portion	14	12,297	10,526
Dividends payables		3,595	3,176
Accrued Zakat and income tax	26	25,749	22,081
		<u>616,851</u>	<u>516,585</u>
Total liabilities		<u>808,636</u>	<u>725,066</u>
Equity			
Share capital	24	325,000	325,000
Statutory reserve	24	162,500	162,500
Other reserve	24	334,049	303,172
Treasury shares	24	(51,559)	(51,559)
Foreign currency translation reserve	24	(10,401)	(11,506)
Retained earnings		893,577	812,596
Equity attributable to owners of the Company		<u>1,653,166</u>	<u>1,540,203</u>
Non-controlling interests		22,381	21,151
Total equity		<u>1,675,547</u>	<u>1,561,354</u>
Total liabilities and equity		<u>2,484,183</u>	<u>2,286,420</u>

The notes from 1 to 40 form part of these consolidated financial statements.



Mussad Abdullah Al Nassar
Member Board of Directors



Patrick Stillhart
Chief Executive Officer



Fahim Hamdani
Acting Chief Financial
Officer

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


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


For the year ended March 31, 2023

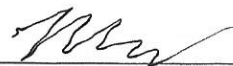
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Statutory reserve	Other reserve	Treasury shares	Foreign currency translation reserve	Retained earnings		
Balance at March 31, 2021	325,000	162,500	282,443	(51,559)	(6,796)	821,758	21,473	1,554,819
Profit for the year	--	--	--	--	--	207,291	1,761	209,052
Other comprehensive loss	--	--	--	--	(4,710)	(3,726)	(2,428)	(10,864)
Total comprehensive loss / income for the year	--	--	--	--	(4,710)	203,565	(667)	198,188
Other changes in non-controlling interest	--	--	--	--	--	--	345	345
Dividends declared (Note 36)	--	--	--	--	--	(191,998)	--	(191,998)
Transfer to other reserve (Note 24)	--	--	20,729	--	--	(20,729)	--	--
Balance at March 31, 2022	325,000	162,500	303,172	(51,559)	(11,506)	812,596	21,151	1,561,354
Profit for the year	--	--	--	--	--	308,771	1,693	310,464
Other comprehensive loss / income	--	--	--	--	1,105	(4,913)	(463)	(4,271)
Total comprehensive loss / income for the year	--	--	--	--	1,105	303,858	1,230	306,193
Dividends declared (Note 36)	--	--	--	--	--	(192,000)	--	(192,000)
Transfer to other reserve (Note 24)	--	--	30,877	--	--	(30,877)	--	--
Balance at March 31, 2023	325,000	162,500	334,049	(51,559)	(10,401)	893,577	22,381	1,675,547

The notes from 1 to 40 form part of these consolidated financial statements.


Mussad Abdullah Al Nassar
Member Board of Directors


Patrick Stillhart
Chief Executive Officer


Fahim Hamdani
Acting Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	2023	2022
Cash flows from operating activities			
Profit before zakat and income tax		339,117	234,274
<u>Adjustments for:</u>			
Depreciation on property, plant and equipment	13	103,827	89,625
Depreciation on right-of-use assets	14	13,644	12,041
Amortization of intangible assets	15	2,557	2,673
Gain on disposal of property, plant and equipment		(1,030)	(729)
Impairment (reversal) / loss on trade receivables	20	(11,419)	1,202
Finance income	10	(18,499)	(4,400)
Finance costs on lease liabilities	14	2,476	2,568
Finance costs on non-controlling interest put option	11	39,732	614
Share of loss / (profit) from equity accounted investee	16	392	(974)
Loss on derecognition of contingent consideration		--	917
Provision / (reversal) of slow moving and obsolete inventories	19	21,849	(14)
Provision for employee benefit obligations	31	18,285	15,637
		<u>510,931</u>	<u>353,434</u>
<u>Change in:</u>			
Inventories		(81,962)	(57,184)
Trade receivables		(40,739)	(16,092)
Prepayments and other receivables		2,637	854
Trade and other payables		(4,436)	22,530
Accrued expenses and other liabilities		31,693	23,588
Due to related parties		1,988	(929)
Cash generated from operating activities		<u>420,112</u>	<u>326,201</u>
Employee benefit obligations paid	31	(11,205)	(11,012)
Zakat and income tax paid	26	(24,985)	(25,363)
Net cash generated from operating activities		<u>383,922</u>	<u>289,826</u>
Cash flows from investing activities			
Interest received		12,220	4,400
Purchase of property, plant and equipment	13	(95,812)	(166,875)
Long term investment		(38,000)	--
Short term investment		(388,500)	--
Proceeds from disposal of property, plant and equipment		1,344	1,571
Movement in other non-current assets		(430)	(1093)
Net cash used in investing activities		<u>(509,178)</u>	<u>(161,997)</u>
Cash flows from financing activities			
Dividends paid to owners of the Company	36	(191,581)	(192,210)
Contingent consideration paid		--	(3,925)
Repayments of finance costs on lease liabilities	14	(2,405)	(2,379)
Principal repayments of lease liability	14	(13,448)	(11,134)
Net cash used in financing activities		<u>(207,434)</u>	<u>(209,648)</u>
Net change in cash and cash equivalents		<u>(332,690)</u>	<u>(81,819)</u>
Effects of exchange rate fluctuations on cash and cash equivalents		(2,973)	(5,509)
Cash and cash equivalents at the beginning of the year		625,962	713,290
Cash and cash equivalents at the end of the year	23	<u>290,299</u>	<u>625,962</u>



Mussad Abdullah Al Nassar
Member Board of Directors



Patrick Stillhart
Chief Executive Officer



Fahim Hamdan
Acting Chief Financial
Officer

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. GENERAL INFORMATION

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 consolidated financial statements.

The accompanying consolidated 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

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to January 19, 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to January 19, 2023). The management is in the process of assessing the impact of the New Companies Law and will amend its By-laws for any changes to align the By-laws to the provisions of the Law. Consequently, the Company shall present the amended By-laws to the shareholders in their Extraordinary General Assembly meeting for their ratification.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Preparation of the consolidated financial statements

These consolidated financial statements have been prepared on a historical cost basis except for the following:

- Non-controlling interest put option is recognised at the present value of redemption amount;
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method; and
- Derivative financial instrument is recognised at their fair value.

2.3 Functional and presentation currency

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

2.4 Standards, interpretations and amendments that became effective during the year

This table lists the recent changes to the Standards that are required to be applied for an annual reporting period beginning after April 1, 2022:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.5 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of these consolidated financial statements are disclosed below. 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>
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2024
IAS 1	Non-current liabilities with covenants (amendments to IAS 1)	January 1, 2024
IFRS 16	Lease Liability in a Sale and Leaseback – Amendment	January 1, 2024
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

These standards, interpretations, and amendments that became effective during the year will not have any material impact on the Group's consolidated financial statements, whereas, for the other above-mentioned standards, interpretations, and amendments, the Group is currently assessing the implications on the Group's financial statements on adoption.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the preparation of these consolidated financial statements to all periods presented, unless otherwise indicated.

3.1 Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

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

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

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

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

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

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

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration, classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Subsidiaries

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are deconsolidated from the date the control ceases.

3.2 Investment in equity accounted investees (associate)

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The considerations made in determining significant influence is similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates are accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss outside operating profit and represents profit or loss after income tax. When necessary, adjustments are made to bring the accounting policies and reporting period in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of results of an associate' in the consolidated statement of profit or loss. Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in the consolidated statement of profit or loss.

When the Group's share of losses exceeds its interest in associates, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has a corresponding obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 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. Refer Note 35 for more details.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Segment reporting

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

An operating segment is group of assets and operations:

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

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

The following summary describes the operations of each reportable segment:

<u>Reportable segments</u>	<u>Operations</u>
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Drinks	Drink products of the Group mainly includes Milk products.
Non – drinks	Non drink products of the Group mainly includes ice-cream and tomato paste.

3.5 Foreign currencies translation

Transaction and balances

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Foreign currencies translation (continued)

Transaction and balances (continued)

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary assets measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in consolidated statement of profit or loss or consolidated statement of comprehensive income are also recognised in consolidated statement of profit or loss or consolidated statement of comprehensive income, respectively).

Group companies

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

- assets and liabilities for each consolidated balance sheet presented are translated at the closing rate at the date of end of reporting period;
- income and expenses for each consolidated statement of profit or loss and consolidated statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

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

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

3.6 Revenue recognition

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Revenue recognition (continued)

Products are sold principally on a sale or return basis. Allowances for expected sales returns are calculated based on the forecasted return of expired products based on historical experience. Expected sales returns are netted off against revenue with the corresponding impact in 'trade and other payables' for cash sales and 'trade receivables' for credit sales.

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

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

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

The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and is also exposed to inventory and credit risks.

No element of financing component is deemed present as the sales are made either on cash or on credit terms consistent with market practice. A receivable is recognised when the goods are delivered as this is the point-in-time that the consideration is unconditional because only the passage of time is required before the payment is due.

3.7 Selling, distribution, general and administrative expenses

Selling, distribution and general and administrative expenses include direct and indirect costs not specifically part of cost of sales. Costs directly and indirectly related to marketing and distribution activities are classified as selling and distribution expenses. All other costs are classified under general and administrative expenses. Allocations between selling, distribution and general and administrative expenses and cost of sales, when required, are made on a consistent basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Dividends distribution

The Group recognizes a liability to make cash distributions to the shareholders when the distribution is authorised, and the distribution is no longer at the discretion of the Group. As per the companies' regulations of Saudi Arabia, a final distribution is authorized when it is approved by the shareholders and interim dividends are approved by the Board of Directors. A corresponding amount is recognized directly in statement of change in equity with a corresponding liability in the consolidated statement of financial position.

3.9 Property, plant and equipment

i) Recognition and measurement

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

ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of profit or loss when incurred.

iii) Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over the estimated useful lives of property, plant and equipment and is generally recognized in consolidated statement of profit or loss. Leasehold improvements are depreciated over the shorter of the estimated useful life or the remaining term of the lease.

Depreciation is charged over the estimated useful lives of property, plant and equipment as follows:

	<u>Years</u>
• Leasehold improvement	2 - 16
• Buildings	10 - 40
• Machinery and equipment	4 - 15
• Vehicles and trailers	4 – 7
• Furniture, fixtures and office equipment	4 - 10

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Property, plant and equipment (continued)

iii) Depreciation (continued)

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

Capital working in progress

Capital work in progress (CWIP) is measured at cost less impairment losses, if any, and not depreciated until such time the assets are available for use and transferred to the respective category under property, plant and equipment. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required substantially to complete and prepare those assets for its intended use, if the recognition criteria are met.

3.10 Intangible assets

Goodwill

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Intangible assets (continued)

Brands, customer and supplier relationships

Separately acquired intangibles are recorded at historical cost. Brands, customer, and supplier relationships acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortization and impairment losses.

Amortization is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of 4 to 5 years.

3.11 Zakat and income taxes on foreign entities

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

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

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

The Group withholds taxes on certain transactions with non-resident parties as required under Saudi Arabian Income Tax Law.

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Leases

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation, impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, lease payments made at or before the commencement date, and an estimate of costs to dismantle and remove the underlying asset on the site on which it is located less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. In addition, the right of use asset is periodically reduced by impairment losses if any, and adjusted for certain remeasurment of lease liability. Refer to the accounting policies under section Impairment of non-financial assets.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted using the Group's incremental borrowing rate (if the interest rate implicit in the lease is not available). Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. Any such re-measurement in the lease liability is adjusted against the carrying value of the right-of-use asset or charged to consolidated statement of profit or loss if carrying value of the related asset is zero.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payment (e.g. changes to future payments resulting from a change in index on a rate used to determine sub lease payments) on a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments

Non-Derivative Financial instruments

(i) *Financial assets (Non-derivative)*

Initial recognition and measurement

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

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

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

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

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

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

Subsequent measurement

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

(i) Financial assets (Non-derivative) (continued)

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through OCI (debt instruments)

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

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

Financial assets designated at fair value through OCI (equity instruments)

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

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

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

Financial assets at fair value through profit or loss

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

Currently, the Group does not have any financial assets designated at fair value through profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

(i) *Financial assets (Non-derivative) (continued)*

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

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

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

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Financial liabilities at amortised cost

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

ii) Financial liabilities (continued)

Derecognition

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

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative Financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting period as assets where the fair value is positive and as liabilities where the fair value is negative. The Group has not designated any derivative as a hedging instrument. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the consolidated statement of profit or loss and are included in "Other income" or "Other expense". Any related transaction costs are recognised in profit or loss as incurred. Gain / loss on matured derivative financial instruments is recognized in the consolidated statement of profit or loss and is included in "Other income" or "Other expense".

3.14 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and other short-term highly liquid investments, with original maturities of three months or less from the purchase date and / or readily convertible to a known amount of cash and be subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash, and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank borrowing (if any), as they are considered an integral part of the Group's cash management.

3.16 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

3.17 Inventories

Inventories are valued at the lower of cost and net realizable value. Costs of finished goods include material cost, direct labour and appropriate manufacturing overhead. The cost of inventories includes expenditure incurred in acquiring and bringing them to their existing location and condition. Costs are assigned to individual items of inventory on the basis of first-in-first out. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

3.18 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid in accordance with agreed terms. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest rate method.

3.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Non-controlling interest put options

Written put options in respect of which the Group does not have an unconditional right to avoid the delivery of cash, are recognised as financial liabilities. Under this method, the non-controlling interest is not derecognised when the financial liability in respect of the put option is recognised, as the non-controlling interest still has present access to the economic benefits associated with the underlying ownership interest. Non-controlling interest put options are initially recognised at the present value of redemption amount and reduction to controlling interest equity. All subsequent changes in liability is recognised in the consolidated statement of profit or loss. The Group uses its judgment to select a variety of methods, and assumptions made are based on market and Group specific conditions existing at each reporting period.

3.21 Employee benefit obligations

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

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

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

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

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

3.22 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

3.23 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost. Treasury shares are presented as a deduction from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised as a share premium or discount which is presented in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Other reserve

In accordance with Company's by-laws, the shareholders decided to create a voluntary reserve by the transfer of 10% of the annual net income attributable to equity shareholders of the Company to the reserve.

3.25 Earnings per share

The management determines basic earnings per share by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year; a reasonable approximation of the weighted average is adequate in many circumstances.

Diluted EPS amounts are calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(i) Goodwill - Annual impairment testing of goodwill

The Group's management tests whether goodwill has suffered any impairment, at least on an annual basis. This requires an estimation of recoverable amounts of the cash-generating units to which the goodwill is allocated. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, EBITDA margins, and the terminal growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value-in-use are disclosed and further explained in Note 15 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended March 31, 2023

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(ii) Non-controlling interest put options

The fair value of non-controlling interest put options are recognised at the present value of redemption amount based on discount future cash flow analysis. The Group uses its judgment to select a variety of methods, and assumptions made are based on market and Group specific conditions existing at each reporting period. Further details are explained in Note 18 to the consolidated financial statements.

(iii) Measurement of post-employment defined benefits

The cost of post-employment defined benefits is the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high-quality bonds obligation, as designated by an internationally acknowledged rating agency are considered, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. Further details are explained in Note 31 to the consolidated financial statements.

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

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that includes renewable options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. Refer Note 14 for further details.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

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

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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

The Group has selected a simplified approach on financial assets. The Group uses a provision matrix to calculate ECL for financial assets. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated, and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future.

(vi) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives of property, plant and equipment with finite useful lives for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the depreciation and methods and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates and to ensure that the methods and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

The Group's management reviews the useful lives, residual value and method of depreciation annually for any significant changes and any resultant changes to the depreciation charge are adjusted in current and future periods.

(vii) Allowance for inventory losses

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. Inventory items which are old or obsolete, are assessed collectively and a provision is applied according to the inventory type and the degree of ageing or obsolescence.

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5. GROUP INFORMATION

The consolidated financial statements of the Group include:

<u>Name</u>	<u>Relationship</u>	<u>Principal activities</u>	<u>Country of incorporation / principal place of business</u>	<u>% equity interest</u>	
				<u>March 31, 2023</u>	<u>March 31, 2022</u>
SADAFCO Bahrain Company LLC	Subsidiary	Foodstuff and dairy products	Bahrain	100%	100%
SADAFCO Jordan Foodstuff Company LLC	Subsidiary	Foodstuff and dairy products	Jordan	100%	100%
SADAFCO Qatar W.L.L.	Subsidiary	Foodstuff and dairy products	Qatar	75%	75%
SADAFCO Kuwait Foodstuff Co. W.L.L (*)	Subsidiary	Foodstuff and dairy products	Kuwait	49%	49%
SADAFCO Poland Sp. z o.o. ("SADAFCO Poland")	Subsidiary	Holding company	Poland	100%	100%
Mlekoma Sp. z o.o. (**)	Subsidiary	Dairy products	Poland	76%	76%
Foodexo Sp. z o.o. (**)	Subsidiary	Dairy products	Poland	76%	76%
Mlekoma Dairy Sp. z o.o. (**)	Associate	Dairy products	Poland	37%	37%

(*) 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".

6. REVENUE

Revenue for the year comprise of the following:

	<u>2023</u>	<u>2022</u>
Revenue from sale of drinks products	1,553,064	1,219,823
Revenue from sale of non-drinks products	1,094,949	950,504
	<u>2,648,013</u>	<u>2,170,327</u>

Disaggregation of revenue from contracts with customers

Primary geographical markets

	<u>2023</u>	<u>2022</u>
Kingdom of Saudi Arabia	2,194,328	1,786,320
Outside Kingdom of Saudi Arabia	453,685	384,007
	<u>2,648,013</u>	<u>2,170,327</u>

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7. COST OF SALES

Cost of sales for the year comprise of the following:

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Material costs		1,462,522	1,189,261
Employee costs		166,583	149,948
Depreciation on property, plant and equipment	13	71,226	57,447
Depreciation on right-of-use assets	14	1,762	1,851
Fuel and transportation costs		46,271	45,102
Others		76,940	70,088
		<u>1,825,304</u>	<u>1,513,697</u>

8. SELLING AND DISTRIBUTION EXPENSES

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

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Employee costs		187,647	174,750
Advertising and sales promotion		74,701	47,399
Depreciation on property, plant and equipment	13	28,498	26,843
Depreciation on right-of-use assets	14	11,459	9,677
Repairs and maintenance costs		11,705	11,333
Insurance		3,332	3,633
Communication		2,672	2,592
Fuel and transportation costs		8,692	5,436
Utilities		6,142	4,687
Others		16,192	25,072
		<u>351,040</u>	<u>311,422</u>

9. GENERAL AND ADMINISTRATIVE EXPENSES

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

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Employee costs		74,785	71,737
Depreciation on property, plant and equipment	13	4,103	5,335
Depreciation on right-of-use assets	14	423	513
Amortization of intangible assets	15	2,557	2,673
Subscription costs		8,268	8,790
Directors' remuneration and other benefits		4,475	3,800
Communication		3,043	3,446
Repairs and maintenance costs		2,823	2,706
Insurance		1,436	1,201
Government related expenses		2,054	1,968
Others		9,909	11,270
		<u>113,876</u>	<u>113,439</u>

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10. FINANCE INCOME

Finance income for the year comprise of the following:

	<u>2023</u>	<u>2022</u>
Finance income on murabaha certificates	17,719	4,400
Finance income on long term investment	780	--
	<u>18,499</u>	<u>4,400</u>

11. FINANCE COSTS

Finance costs for the year comprise of the following:

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Finance cost on lease liability	14	2,476	2,568
Finance cost on NCI put option		39,732	614
Others		7,793	4,128
		<u>50,001</u>	<u>7,310</u>

12. BASIC AND DILUTIVE EARNINGS PER SHARE

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

	<u>2023</u>	<u>2022</u>
Profit for the year attributable to shareholders of the Company	<u>308,771</u>	<u>207,291</u>
The weighted average number of ordinary shares for the purposes of basic and diluted earnings ('000') (Note 12.2)	<u>32,000</u>	<u>32,000</u>
Basic and diluted earnings per share based on profit for the year attributable to shareholders of the Company (Saudi Riyals)	<u>9.65</u>	<u>6.48</u>

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

	<u>2023</u>	<u>2022</u>
Issued ordinary shares at April 1	32,500	32,500
Effect of treasury share held	(500)	(500)
Weighted average number of ordinary shares outstanding at March 31	<u>32,000</u>	<u>32,000</u>

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

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13. PROPERTY, PLANT AND EQUIPMENT

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

	<u>Land and buildings</u>	<u>Machinery and equipment</u>	<u>Vehicles and trailers</u>	<u>Furniture, fixtures and office equipment</u>	<u>Capital work- in-progress</u>	<u>Total</u>
<u>Cost</u>						
As at April 1, 2022	619,284	1,219,851	266,661	111,456	22,953	2,240,205
Additions during the year	225	834	383	479	93,891	95,812
Disposals during the year	(178)	(6,532)	(5,565)	(1,644)	--	(13,919)
Transfers during the year	45	2,578	2,072	214	(4,909)	--
Exchange differences	(999)	(838)	(306)	(119)	(124)	(2,386)
As at March 31, 2023	<u>618,377</u>	<u>1,215,893</u>	<u>263,245</u>	<u>110,386</u>	<u>111,811</u>	<u>2,319,712</u>
<u>Accumulated depreciation</u>						
As at April 1, 2022	277,656	739,235	196,118	91,793	--	1,304,802
Charge for the year	20,681	57,587	19,489	6,070	--	103,827
Disposals during the year	(170)	(6,257)	(5,557)	(1,621)	--	(13,605)
Exchange differences	(250)	(808)	(234)	(99)	--	(1,391)
As at March 31, 2023	<u>297,917</u>	<u>789,757</u>	<u>209,816</u>	<u>96,143</u>	<u>--</u>	<u>1,393,633</u>
<u>Carrying amount</u>						
As at March 31, 2023	<u>320,460</u>	<u>426,136</u>	<u>53,429</u>	<u>14,243</u>	<u>111,811</u>	<u>926,079</u>

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land and buildings</u>	<u>Machinery and equipment</u>	<u>Vehicles and trailers</u>	<u>Furniture, fixtures and office equipment</u>	<u>Capital work-in- progress</u>	<u>Total</u>
<u>Cost</u>						
As at April 1, 2021	530,019	1,078,881	249,141	102,266	138,002	2,098,309
Additions during the year	215	1,473	285	114	164,788	166,875
Disposals during the year	(230)	(9,781)	(10,563)	(1,289)	--	(21,863)
Transfers during the year	90,761	149,299	28,384	9,720	(278,164)	--
Exchange differences	(1,481)	(21)	(586)	645	(1,673)	(3,116)
As at March 31, 2022	<u>619,284</u>	<u>1,219,851</u>	<u>266,661</u>	<u>111,456</u>	<u>22,953</u>	<u>2,240,205</u>
<u>Accumulated depreciation</u>						
As at April 1, 2021	259,479	700,696	189,673	87,732	--	1,237,580
Charge for the year	18,611	47,869	17,309	5,836	--	89,625
Disposals during the year	(230)	(8,813)	(10,691)	(1,287)	--	(21,021)
Exchange differences	(204)	(517)	(173)	(488)	--	(1,382)
As at March 31, 2022	<u>277,656</u>	<u>739,235</u>	<u>196,118</u>	<u>91,793</u>	<u>--</u>	<u>1,304,802</u>
<u>Carrying amount</u>						
As at March 31, 2022	<u>341,628</u>	<u>480,616</u>	<u>70,543</u>	<u>19,663</u>	<u>22,953</u>	<u>935,403</u>

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Depreciation charge for the years ended March 31, has been allocated as follows:

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Cost of sales	7	71,226	57,447
Selling and distribution expenses	8	28,498	26,843
General and administrative expenses	9	4,103	5,335
		<u>103,827</u>	<u>89,625</u>

(b) The ownership interest of the Group in a freehold land held in Madinah is amounting to Saudi Riyals 1.54 million (March 31, 2022: Saudi Riyals 1.54 million) is through a shareholder of the Group. The Group holds legal documents confirming its beneficial interest.

(c) Capital work in progress represents ongoing construction works and it is expected to be completed during 2023.

14. LEASES

The Group leases various stores, offices and vehicles. Rental contracts are typically made for fixed periods of 2 to 16 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The Group's weighted average incremental borrowing rate applied to the lease liabilities ranges from 2.88% to 7.12%. 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.

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

a. Right-of-use assets

	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Total</u>
As at April 1, 2021	41,600	10,979	10,576	63,155
Additions during the year	--	--	13,765	13,765
Depreciation charge for the year	(2,140)	(3,369)	(6,532)	(12,041)
Exchange difference	--	--	75	75
Carrying amount as at March 31, 2022	39,460	7,610	17,884	64,954
Additions during the year	1,813	--	9,724	11,537
Depreciation charge for the year	(1,959)	(3,285)	(8,400)	(13,644)
Exchange difference	(128)	--	(40)	(168)
Carrying amount as at March 31, 2023	<u>39,186</u>	<u>4,325</u>	<u>19,168</u>	<u>62,679</u>

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14. LEASES (continued)

b. Lease liabilities

Movement in lease liabilities during the year is as follows:

	<u>2023</u>	<u>2022</u>
Lease liability at beginning of the year	66,633	63,840
Additions during the year	11,537	13,765
Payments made during the year	(15,853)	(13,513)
Interest charged during the year	2,476	2,568
Exchange differences	(849)	(27)
Lease liabilities at end of the year	<u>63,944</u>	<u>66,633</u>

Contractual undiscounted cashflows pertaining to lease liabilities as of March 31, 2023 and March 31, 2022, are disclosed in Note 33.

	<u>2023</u>	<u>2022</u>
Lease liabilities		
Current	12,297	10,526
Non-current	<u>51,647</u>	<u>56,107</u>
	<u>63,944</u>	<u>66,633</u>

The aging of minimum lease payments together with the present value of minimum lease payments as of March 31 are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Minimum lease payments</u>	<u>Present value of payments</u>	<u>Minimum lease payments</u>	<u>Present value of payments</u>
Less than one year	15,379	12,297	16,061	10,526
One to five years	28,979	20,549	26,255	19,254
More than five years	43,855	31,098	50,252	36,853
Total	<u>88,213</u>	<u>63,944</u>	92,568	66,633
Less: financial charges	(24,269)	--	(25,935)	--
As at the end of year	<u>63,944</u>	<u>63,944</u>	<u>66,633</u>	<u>66,633</u>

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

	<u>2023</u>	<u>2022</u>
Depreciation charge on right-of-use assets	<u>13,644</u>	12,041
Interest expense (included in finance costs)	<u>2,476</u>	<u>2,568</u>
Expense relating to short-term leases (included in cost of sales – Note 7, selling and distribution expenses – Note 8 and general and administrative – Note 9)	<u>6,500</u>	6,872

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14. LEASES (continued)

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

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Cost of sales	7	1,762	1,851
Selling and distribution expenses	8	11,459	9,677
General and administrative expenses	9	423	513
		<u>13,644</u>	<u>12,041</u>

15. INTANGIBLE ASSETS

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

	<u>Goodwill</u>	<u>Brand</u>	<u>Others</u>	<u>Total</u>
<u>Cost:</u>				
As at March 31, 2022	16,666	7,706	3,046	27,418
Exchange differences	(913)	--	--	(913)
As at March 31, 2023	<u>15,753</u>	<u>7,706</u>	<u>3,046</u>	<u>26,505</u>
<u>Accumulated amortization:</u>				
As at March 31, 2022	--	6,431	2,525	8,956
Charge for the year	--	1,431	1,126	2,557
Exchange differences	--	(156)	(605)	(761)
As at March 31, 2023	<u>--</u>	<u>7,706</u>	<u>3,046</u>	<u>10,752</u>
<u>Carrying amount:</u>				
As at March 31, 2023	<u>15,753</u>	<u>--</u>	<u>--</u>	<u>15,753</u>
As at March 31, 2022	<u>16,666</u>	<u>1,275</u>	<u>521</u>	<u>18,462</u>

Amortization for the year has been allocated to 'General and administrative expenses'.

The Company through its wholly owned subsidiary, SADAFCO Poland, acquired a total stake of 76% in Mlekoma group on July 2, 2018 through a series of agreements, collectively referred to as Share Purchase Agreement ("SPA").

(a) Brand and others

The Brand and others were recognised as part of a business combination on July 2, 2018 (the "acquisition date"). They are recognised at their fair value at the date of acquisition and are subsequently amortized on a straight-line basis on the estimated lives of the respective intangibles.

(b) Goodwill

Goodwill is attributable to sourcing of high-quality raw material, experienced workforce and profitability of the acquired business that cannot be assigned to any other determinable and separate intangible asset.

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15. INTANGIBLE ASSETS (continued)

(b) Goodwill (continued)

The Group tests whether goodwill has suffered any impairment on an annual basis. For the impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or (Cash Generating Units”) CGUs. For the year ended March 31, 2023, the recoverable amount of Mlekoma group which was considered as single cash generating unit was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates.

The calculation in value in use is most sensitive to the assumptions on EBITDA margins, discount rate and terminal growth rate. Key assumptions underlying the projections are as follows:

Key assumptions	<u>2023</u>	<u>2022</u>
EBITDA margins	4%	5.1%
Discount rate	10.9%	8.7%
Terminal value growth rate	2.5%	2.5%

EBITDA margin was estimated taking into account past experience, adjusted as follows:

- Revenue growth was projected taking into account the average growth levels experience over the past years and the estimated sales volume and the price growth for the next five years.
- The discount rate was an estimate of the weighted average cost of capital as of March 31, 2023 based on market rates adjusted to reflect management’s estimate of the specific risks relating to segment and operations in Poland.
- The cashflows projection included specific estimates for five years and terminal growth rate thereafter. The terminal growth rate was determined based on management’s estimate of long term compound annual EBITDA growth rate.

Sensitivity to the changes in assumptions

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

(i) EBITDA margins

It is used to measure Group’s overall financial performance and profitability. If all other assumptions kept the same, a reduction of this rate by 13% (March 31, 2022: 20%) across all expected cashflow would give a value in use equal to the current carrying amount.

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15. INTANGIBLE ASSETS (continued)

(ii) *Discount rate*

The discount rate was an estimate of the weighted average cost of capital as of March 31, 2023 based on market rates adjusted to reflect management's estimate of the specific risks relating to segment and operations in Poland. If all other assumptions kept the same, an increase of this rate by 27% (March 31, 2022: 23%) would give a value in use equal to the current carrying amount.

(iii) *Terminal value growth rate*

It is the weighted average growth rate used to extrapolate cash flows beyond the budget period. If all other assumptions kept the same, a reduction of this growth rate by 181% (March 31, 2022: 111%) would give a value in use equal to the current carrying amount.

16. EQUITY ACCOUNTED INVESTEE

- a) The Group has a 37% shareholding in Mlekoma Dairy Sp. z o.o. ("the associate"), a company incorporated in Poland. The investment is accounted for using equity accounted investment.
- b) The movement in the investment in equity accounted investee for the year ended March 31 is as follows:

	<u>2023</u>	<u>2022</u>
Opening balance	921	62
Share of loss	(392)	974
Foreign currency translation	10	(115)
Closing balance	<u>539</u>	<u>921</u>

- c) Below is the summary of the financial information of the associate as at March 31, 2023 and March 31, 2022.

The associate had not yet issued audited financial statements. Hence, the financial data below and the share of loss for the years ended March 31 is based on management's accounts.

Share in net assets

	<u>2023</u>	<u>2022</u>
Non-current assets	349	430
Current assets	15,126	12,936
Total assets	<u>15,475</u>	<u>13,366</u>
Non-current liabilities	145	239
Current liabilities	14,231	12,164
Total liabilities	<u>14,376</u>	<u>12,403</u>
Net assets	<u>1099</u>	<u>963</u>
Group's share in net assets	<u>37%</u>	<u>37%</u>
Carrying value of investment	<u>539</u>	<u>921</u>

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16. EQUITY ACCOUNTED INVESTEE (continued)

Share in profit / (loss)

	<u>2023</u>	<u>2022</u>
Revenue	82,558	77,762
Net (loss) / profit for the year	(222)	1,054
Other adjustments	(578)	933
Revised net loss for the year	(800)	1,987
Other comprehensive profit / (loss)	--	--
Group's share of (loss) / profit for the year	(392)	974
Group's share of other comprehensive profit / (loss)	--	--

17. LONG TERM INVESTMENT

Long term investment comprise of the following:

	<u>2023</u>	<u>2022</u>
Long term investment	38,258	--

During the year ended March 31, 2023, the Group has invested Saudi Riyals 38 million in Tier 1 Sukuks, issued by Al Rajhi Bank, with a face value of Saudi Riyals 1,000 each. The Sukuks carry a mark-up of 5.5% per annum and are classified at amortised cost. The Sukuks are having a 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 March 31, 2023 was Saudi Riyals 1,012.7 per certificate. The investment is made with bank with sound credit rating of A1 based on Moody's credit rating.

18. NON-CONTROLLING INTEREST PUT OPTION

The Group has recognised non-controlling interests in Mlekoma group at its proportionate share of the acquired net identifiable assets.

The non-controlling interest put option is 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 is exercisable within a period of 15 business days from the expiry date of the option. The redemption value is recognised as higher of the purchase price as per the SPA or determined by applying the earnings multiplier to the audited EBITDA of the financial year 2022 of Mlekoma group as reduced by net debt in accordance with the SPA. This is a level 3 fair valuation as per IFRS 13. Refer Note 35 for fair valuation details.

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19. INVENTORIES

Inventories as at March 31 comprise of the following:

	<u>2023</u>	<u>2022</u>
Raw materials	219,001	218,598
Packing materials	17,988	19,141
Finished goods	147,483	92,662
Spare parts, supplies and other items	19,067	16,704
Goods-in-transit	49,477	23,949
	<u>453,016</u>	<u>371,054</u>
Less: Provision for slow moving and obsolete inventories (Note 19.1)	<u>(33,482)</u>	<u>(11,633)</u>
	<u>419,534</u>	<u>359,421</u>

19.1 Movement in the provision for slow moving and obsolete inventories is as follows:

	<u>2023</u>	<u>2022</u>
As at April 1	11,633	11,647
Provision / (reversal) during the year	<u>21,849</u>	<u>(14)</u>
As at March 31	<u>33,482</u>	<u>11,633</u>

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

20. TRADE RECEIVABLES

Trade receivables as at March 31 comprise of the following:

	<u>2023</u>	<u>2022</u>
Trade receivables	313,583	272,844
Less: Allowance for impairment of trade receivables (Note 20.1)	<u>(27,771)</u>	<u>(39,190)</u>
Net trade receivables	<u>285,812</u>	<u>233,654</u>

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

20.1 The movement in allowance for impairment loss against trade receivables is as follows:

	<u>2023</u>	<u>2022</u>
As at April 1	39,190	37,988
(Reversal) / charge for the year	<u>(11,419)</u>	<u>1,202</u>
As at March 31	<u>27,771</u>	<u>39,190</u>

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20. TRADE RECEIVABLES (continued)

The Group does not obtain collaterals over receivables, and the vast majority of receivables are, therefore, unsecured. However, unimpaired receivables are expected to be recoverable based on past experience. Refer Note 33 on the credit risk of trade receivables, which explains how the Group manages and measures the credit quality of trade receivables.

21. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables as at March 31 comprise of the following:

	<u>2023</u>	<u>2022</u>
Prepayments	15,301	20,471
Advances to suppliers	12,098	9,574
Advances to employees	9,242	8,430
Security deposits and others	8,904	4,433
	<u>45,545</u>	<u>42,908</u>

22. SHORT TERM INVESTMENTS

Short term investments as at March 31 comprise of the following:

	<u>2023</u>	<u>2022</u>
Short term murabaha deposits	<u>394,520</u>	<u>--</u>

- a) Short term murabaha deposits represent deposits with local banks that have an original maturity of more than three months and less than twelve months from the investment date.
- b) These deposits earn commission at an average rate of 5.10% per annum as at March 31, 2023 (March 31, 2022: Nil).
- c) The investments are made with banks with sound credit ratings ranging from A1 to A2 based on Moody's credit rating.

23. CASH AND CASH EQUIVALENTS

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

	<u>2023</u>	<u>2022</u>
Cash in hand	6,268	4,524
Balances with banks - current account	44,717	87,655
Short term murabaha deposits with original maturity of less than three months	239,314	533,783
	<u>290,299</u>	<u>625,962</u>

- a) The rates on short term murabaha deposits ranges from 4.8% to 5.6% per annum for the year ended March 31, 2023 (March 31, 2022: 0.03% to 1.8% per annum).

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23. CASH AND CASH EQUIVALENTS (continued)

- b) At March 31, the carrying value of bank balances (included above) and short term murabaha deposits represent its maximum exposure to credit risk without taking into account any collateral and other credit enhancement, and none of the balances is impaired at the reporting date.

24. CAPITAL AND RESERVES

24.1 Share capital

	<u>No. of shares</u>	<u>2023</u>	<u>2022</u>
Authorized capital	<u>32,500,000</u>	<u>325,000</u>	325,000
Share capital	<u>32,500,000</u>	<u>325,000</u>	325,000

At March 31, 2023, the Company share capital is Saudi Riyals 325 million consists of 32.5 million fully paid shares of Saudi Riyals 10 each (March 31, 2022: Saudi Riyals 325 million consists of 32.5 million shares of Saudi Riyals 10 each). As at March 31, the Company share capital includes treasury shares acquired during the year ended March 31, 2019.

On November 23, 2022, one of the major shareholders, Al Qurain Petrochemicals Industries Company ("QPIC") sold its entire shareholding of 13.036 million shares (representing 40.112% of the total share capital of the Group) to Kuwait Projects Company Holding ("KIPCO").

The legal formalities for the transfer of shares were completed in all respects during the year ended March 31, 2023. At March 31, 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).

24.2 Statutory reserve

In accordance with the Company's By-laws, the Company is required to transfer at least ten percent of net profit for the year to a statutory reserve until such reserve equals 50% of share capital. This was achieved in previous years, and accordingly no further transfers are made to statutory reserve during the years ended March 31, 2023 and March 31, 2022.

24.3 Treasury shares

The reserves for the Company's treasury shares comprise the cost of the Company's shares held by the Group. At March 31, 2023, the Group held 500,000 of the Company's shares (March 2022: 500,000). These shares were acquired during the year ended March 31, 2019 at Saudi Riyals 103.12 each.

24.4 Other reserve

Pursuant to Company's By-Law, the Company has created a voluntary reserve based on shareholders resolution whereby the Company transfers ten percent of its profit attributable to Owners of the Company each year. In the current year, Saudi Riyals 30.9 million was transferred to voluntary reserve (March 31, 2022: Saudi Riyals 20.7 million).

24.5 Foreign currency translation reserves

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

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25. NON-CONTROLLING INTERESTS

Summarized aggregate financial information of Mlekoma Sp. z o.o. that has material non-controlling interests ("NCI") is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Summarized statement of financial position of Mlekoma Sp. z o.o.

	<u>2023</u>	<u>2022</u>
Current assets	78,667	74,360
Current liabilities	<u>(23,131)</u>	<u>(28,970)</u>
Net current assets	55,536	45,390
Non-current assets	31,683	33,485
Non-current liabilities	<u>(288)</u>	<u>(279)</u>
Net non-current assets	31,395	33,206
Net assets	86,931	78,596
Equity attributable to the owners of the Group	66,068	59,733
Non-controlling interests	<u>20,863</u>	<u>18,863</u>
	86,931	78,596

Summarized statement of comprehensive income of Mlekoma Sp. z o.o.

	<u>2023</u>	<u>2022</u>
For the year ended March 31		
Revenue	370,243	303,265
Expenses	<u>(360,030)</u>	<u>(290,739)</u>
Profit for the year	10,213	12,526
Profit for the year attributable to:		
Owners of Mlekoma Sp. z o.o.	7,660	9,394
Non-controlling interests	<u>2,553</u>	<u>3,132</u>
	10,213	12,526
Total comprehensive income attributable to:		
Owners of Mlekoma Sp. z o.o.	7,660	9,394
Non-controlling interests	<u>2,553</u>	<u>3,132</u>
	10,213	12,526

Summarized cash flows

For the year ended March 31

Cash flows from operating activities	(6,543)	6,372
Cash flows from investing activities	(1,884)	(1,483)
Cash flows from financing activities	<u>(188)</u>	<u>(2,329)</u>
Net increase in cash and cash equivalents	(8,615)	2,560

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26. ZAKAT AND INCOME TAX

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

26.1 Charge for the year

The charge for the years ended March 31, consists of the following:

	<u>2023</u>	<u>2022</u>
Zakat charge	25,433	22,609
Income tax	3,220	2,613
	<u>28,653</u>	<u>25,222</u>

26.2 Accrued zakat and income tax

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

	<u>Zakat</u>	<u>Income tax</u>	<u>Total</u>
At April 1, 2021	22,222	--	22,222
Charge for the year	22,609	2,613	25,222
Payments during the year	(22,750)	(2,613)	(25,363)
At March 31, 2022	22,081	--	22,081
Charge for the year	25,433	3,220	28,653
Payment during the year	(21,765)	(3,220)	(24,985)
At March 31, 2023	25,749	--	25,749

Zakat charge is based on the following:

	<u>2023</u>	<u>2022</u>
Equity	1,495,946	1,563,678
Property, plant and equipment	(999,086)	(888,597)
Right-of-use assets	(57,050)	(58,397)
Long term investment	(38,000)	--
Provisions and other adjustments	154,134	(52,153)
	<u>555,944</u>	<u>564,531</u>
Adjusted income for the year	376,133	247,158
Zakat base	<u>932,077</u>	<u>811,689</u>

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26. ZAKAT AND INCOME TAX (continued)

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

27. TRADE AND OTHER PAYABLES

Trade and other payables as at March 31 comprise of the following:

	<u>2023</u>	<u>2022</u>
Trade payables	164,308	179,807
Other payables	22,757	11,694
	<u>187,065</u>	<u>191,501</u>

The trade and other payables are usually settled within 12 months from the reporting date. Hence the carrying amount of these balances is considered to be the same as their fair values.

Other payables mainly include advances from customer amounting Saudi Riyals 8.4 million (March 31, 2022: Saudi Riyals 5.6 million).

28. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities as at March 31 comprise of the following:

	<u>2023</u>	<u>2022</u>
Employee related accruals	101,838	92,044
Marketing related accruals	75,723	54,685
Rent and utility accruals	40,437	35,469
Value added tax payable	21,137	15,654
Plant and facility maintenance	12,148	9,980
Other accruals	68,308	80,066
	<u>319,591</u>	<u>287,898</u>

Accruals and other liabilities are usually settled within 12 months from the reporting date. Hence the carrying amount of these balances is considered to be the same as their fair values.

Other accruals mainly include board remuneration, refund liability and other related accruals.

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29. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions were undertaken in the ordinary course of business at commercially agreed terms and were approved by the management. For the purpose of these consolidated financial statements, related parties 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 year ended March 31 and balances arising there-from are described as under:

a) Due to related parties:

<u>Transaction with</u>	<u>Nature of transaction</u>	<u>Transactions with related parties</u>		<u>Closing balance</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Buruj Co-operative Insurance Company (associate of parent company) (*)	Insurance premium	9,336	11,278	2,507	1,403
PKC Advisory (associate of parent company)	Consultancy services	1,348	1,054	--	--
Alternative Energy Projects Co. (associate of parent company)	Purchase and installation of solar energy systems	881	2,905	881	--
Axa Cooperative Insurance (associate of parent company) (*)	Insurance premium	657	634	3	--
				3,391	1,403

(*) These transactions represent the insurance expense.

b) Due to related parties under accrued and other payables:

<u>Transaction with</u>	<u>Nature of Transaction</u>	<u>Transactions with related parties</u>		<u>Closing balance</u>	
		<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Board of Directors and other committees	Remuneration	4,475	3,800	4,475	3,800

Compensation of key management personnel of the Group

	<u>2023</u>	<u>2022</u>
Short-term and long-term employee benefits	13,397	13,335
Termination benefits	530	545
Total compensation paid to key management personnel	13,927	13,880

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30. SEGMENT INFORMATION

30.1 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 monitor the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the chief operating decision makers (CODM) for the Group.

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 year ended March 31:

	<u>Drinks</u>	<u>Non- drinks</u>	<u>Unallocated</u>	<u>Total</u>
For the year ended March 31, 2023				
<i>Segment profit or loss</i>				
Segment revenue	1,600,762	1,221,045	--	2,821,807
Inter-segment revenue	47,698	126,096	--	173,794
Revenue from external customers	1,553,064	1,094,949	--	2,648,013
Profit before zakat and income tax	217,636	91,562	29,919	339,117
Depreciation and amortization	(80,608)	(39,420)	--	(120,028)
Finance income	--	--	18,499	18,499
Finance cost	(2,058)	(40,150)	(7,793)	(50,001)
Share of loss of equity accounted investee	--	392	--	392
Reversal of impairment loss on trade receivables	--	--	11,419	11,419
As at March 31, 2023				
<i>Segment assets</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	745,060	460,309	1,278,814	2,484,183
<i>Segment liabilities</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	52,222	147,382	609,032	808,636

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30. SEGMENT INFORMATION (continued)

30.1 Operating segment (continued)

	<u>Drinks</u>	<u>Non- drinks</u>	<u>Unallocated</u>	<u>Total</u>
For the year ended March 31, 2022				
<i>Segment profit or loss</i>				
Segment revenue	1,249,181	1,023,798	--	2,272,979
Inter-segment revenue	(29,358)	(73,294)	--	(102,652)
Revenue from external customers	1,219,823	950,504	--	2,170,327
Profit before zakat and income tax	125,690	108,372	212	234,274
Depreciation and amortization	(67,478)	(36,861)	--	(104,339)
Finance income	--	2,986	1,414	4,400
Finance cost	(2,131)	(5,179)	--	(7,310)
Share of profit of equity accounted investee	--	974	--	974
Impairment loss on trade receivables	--	--	(1,202)	(1,202)
As at March 31, 2022				
<i>Segment assets</i>				
Property, plant and equipment	631,006	304,397	--	935,403
Right-of-use assets	53,671	11,283	--	64,954
Intangible assets	--	18,462	--	18,462
Other non-current assets	--	4,735	--	4,735
Equity accounted investee	--	921	--	921
Current assets	41,103	126,257	1,094,585	1,261,945
Total assets	<u>725,780</u>	<u>466,055</u>	<u>1,094,585</u>	<u>2,286,420</u>
<i>Segment liabilities</i>				
Current liabilities	8,324	39,518	468,743	516,585
Non-controlling interest put option	--	24,229	--	24,229
Lease liabilities – non- current portion	46,500	9,607	--	56,107
Employee benefit obligations	--	280	127,865	128,145
Total liabilities	<u>54,824</u>	<u>73,634</u>	<u>596,608</u>	<u>725,066</u>

The management has categorised its geographical operations as follows:

Geographic information	<u>2023</u>	<u>2022</u>
Revenue from external customers		
Kingdom of Saudi Arabia	2,194,328	1,786,320
Poland	276,013	249,261
Gulf Cooperation Council (GCC) countries	63,611	56,066
Others	114,061	78,680
	<u>2,648,013</u>	<u>2,170,327</u>
Non-current assets		
Kingdom of Saudi Arabia	935,322	947,237
Poland	54,460	59,028
Gulf Cooperation Council (GCC) countries	11,080	13,729
Others	9,353	4,481
	<u>1,010,215</u>	<u>1,024,475</u>

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31. EMPLOYEE BENEFIT OBLIGATIONS

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

An independent actuarial exercise has been conducted by the Group as of March 31, 2023 and March 31, 2022 to ensure the adequacy of the provision for employees end of service benefits in accordance with the rules stated under Saudi Arabian labor law by using the projected unit credit method as required under International Accounting Standards 19: Employee Benefits.

i) Movement in defined benefit liability

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

	<u>2023</u>	<u>2022</u>
As at April 1	128,145	119,794
Current service cost included in consolidated statement of profit or loss		
Service cost	14,662	12,186
Finance cost	3,623	3,451
	18,285	15,637
Included in other comprehensive income		
- Experience adjustment	4,913	3,726
Actuarial loss	4,913	3,726
Other		
Benefits paid	(11,205)	(11,012)
As at March 31	<u>140,138</u>	<u>128,145</u>

ii) Actuarial assumptions

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

	<u>2023</u>	<u>2022</u>
Discount rate %	4.57%	3.04%
Future salary growth %	6.57%	3.04%
Retirement age	60 years	60 years

Assumptions relating to future mortality is based on published statistics and mortality tables. The weighted average duration of the defined benefit obligation as at March 31, 2023 is 10.51 years (March 31, 2022: 10.40 years).

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31. EMPLOYEES BENEFIT OBLIGATIONS (continued)

iii) Sensitivity analysis

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

	<u>2023</u>		<u>2022</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Discount rate (1% movement)	<u>(3,140)</u>	<u>3,273</u>	<u>(2,849)</u>	<u>2,971</u>
Future salary growth (1% movement)	<u>3,265</u>	<u>(3,147)</u>	<u>2,964</u>	<u>(2,856)</u>

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

32. FINANCIAL INSTRUMENTS

32.1 Financial assets

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Non-Derivative Financial Assets			
Financial assets at amortised cost			
Long term investment	17	38,258	--
Trade receivables	20	285,812	233,654
Short term investment	22	394,520	--
Cash and cash equivalents	23	290,299	625,962
Other receivables	21	5,038	4,433
Total financial assets		<u>1,013,927</u>	<u>864,049</u>

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

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32. FINANCIAL INSTRUMENTS (continued)

32.2 Financial liabilities

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Non-Derivative Financial Liabilities			
Financial liabilities at amortized cost			
Accrued expense and other liabilities	28	298,454	272,244
Trade and other payables	27	187,065	191,501
Lease liabilities	14	63,944	66,633
Dividend payables		3,595	3,176
Due to related parties	29	3,391	1,403
Total financial liabilities		556,449	534,957
Financial liabilities at fair value through profit or loss			
Non-controlling interest put option		65,163	24,229
Total financial liabilities		621,612	559,186
Derivative Financial Liabilities			
Financial liabilities at fair value through profit or loss			
Foreign currency forwards		--	511
		--	511

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

32.3 Financial instruments carried at fair value

a) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- For contingent consideration payable, expected future sales, and net margins targets
- For non-controlling interest put option, present value of future earnings
- Forward currency contracts present value of future earnings

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

	<u>Non-controlling interest put option</u>	
	<u>2023</u>	<u>2022</u>
April 1, 2022	24,229	26,881
Net changes in fair value of non-controlling interest put option	39,732	(1364)
Exchange differences	1,202	(1,288)
March 31, 2023	65,163	24,229

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32. FINANCIAL INSTRUMENTS (continued)

32.3 Financial instruments carried at fair value (continued)

c) Valuation process

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

At each financial year-end, the finance department:

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

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO and the valuation team. As part of this discussion, the team presents a report that explains the reasons for the fair value movements, if any.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Contingent consideration – expected cash flows are estimated based on achievement of target sales and net margins as per the terms of the SPA and the entity's knowledge of the business and how the current economic environment is likely to impact it.
- Non-controlling interest put option – expected earnings multiplier to projected EBITDA of financial year 2022 of Mlekoma group as reduced by net debt in accordance with the SPA.
- Forward currency contracts - The valuation techniques include the use of forward pricing standard models using present value calculations and mid-market valuations. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices.

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32. FINANCIAL INSTRUMENTS (continued)

32.3 Financial instruments carried at fair value (continued)

d) Derivative financial instruments

The Group's Polish subsidiaries normally entered into multiple foreign currency forward contracts to cover the volatility in foreign currency transactions. At March 31, 2023, the Group had Nil (March 31, 2022: 55) foreign currency forward contracts in place with a total notional amount of Nil (March 31, 2022: Saudi Riyals 80.55 million) and net negative carrying amount of Nil (March 31, 2022: Saudi Riyals 0.51 million). Net realized loss on matured foreign currency forwards recognized during the year ended March 31, 2023, in the consolidated statement of profit or loss amounted to Nil (March 31, 2022: 0.59 million). All these contracts have been classified as 'held for trading' for accounting purposes under current liabilities or current assets and designated as level 2 in the consolidated financial statement. The Group relies on the counterparty for the valuation of these derivatives.

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

	Positive fair <u>value</u>	Negative fair value	Notional amount	Notional amounts by term to maturity		
				Within 3 months	3 to 12 months	1 – 5 years
<i>Foreign currency forwards</i>						
As at March 31, 2023	--	--	--	--	--	--
As at March 31, 2022	1,136	1,647	80,552	35,770	44,782	--

33. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES

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

Risk management framework

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

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33. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES
(continued)

Market risk

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2023.

i) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. At March 31, 2023 and March 31, 2022, the Group does not have any borrowings, and accordingly, no interest rate risk sensitivity is presented. Interest-bearing financial assets comprise of short term murabaha deposits and long term investment in sukuks certificates which are at fixed interest rates; therefore, they have no material exposure to cash flow interest rate risk and fair value interest rate risk.

ii) Currency risk

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

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33. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES
(continued)

Market risk (continued)

ii) Currency risk (continued)

Following is the exposure classified into separate foreign currencies:

	<u>Average Rate</u>		<u>Spot Rate</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Foreign currency per Saudi Riyal				
US Dollar	3.752	3.752	3.752	3.752
Polish zloty	0.830	0.946	0.869	0.896
Kuwaiti dinar	12.447	12.597	12.371	12.472
Bahraini dinar	10.006	10.046	9.962	10.118
Jordanian dinar	5.423	5.654	5.297	5.383
Qatari riyal	1.035	1.038	1.024	1.038

Sensitivity analysis

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase profit before zakat and income tax for the year by Saudi Riyals 0.22 million (March 31, 2022: Saudi Riyals 0.57 million).

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Group does not have any financial instruments which are subject to other price risk.

Credit risk

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

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33. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES
(continued)

Credit risk (continued)

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

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
Financial assets			
Long term investment	17	38,258	--
Trade receivables	20	285,812	233,654
Short term investment	22	394,520	--
Cash and cash equivalents	23	290,299	625,962
Security deposits and others	21	5,038	4,433
		<u>1,013,927</u>	<u>864,049</u>

a) Trade receivables

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

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

At March 31, 2023, the Group had five customers that accounted for approximately 47% (March 31, 2022: 43%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 88% (March 31, 2022: 82%) in KSA, 4% (March 31, 2022: 4%) in GCC (other than KSA) and 8% (March 31, 2022: 14%) in other countries. Due to short term nature of the trade receivable, their carrying amount is considered to be the same as their fair value.

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

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33. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES
(continued)

Credit risk (continued)

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

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

The provision matrix takes into account historical credit loss experience (21 quarter-periods) and is adjusted for average historical recovery rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

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

	<u>Note</u>	<u>2023</u>	<u>2022</u>
(Reversal) / impairment loss on trade receivables	20	<u>(11,419)</u>	<u>1,202</u>

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

March 31, 2023	<u>Weighted average loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
Current (not past due)	0.03% - 0.26%	272,790	202
1-90 days past due	1.03% - 4.17%	11,696	144
90-180 days past due	4.53% - 16.51%	487	45
180+ days past due	66.28% - 100%	3,648	2,418
Specific provision	100%	24,962	24,962
	<u>12.66%</u>	<u>313,583</u>	<u>27,771</u>
March 31, 2022	<u>Weighted average loss rate</u>	<u>Gross carrying amount</u>	<u>Loss allowance</u>
Current (not past due)	0.21% - 1.01%	224,565	627
1-90 days past due	0.20% - 1.08%	8,345	15
90-180 days past due	2.98% - 18.88%	1,053	45
180+ days past due	52.39% - 100%	9,783	9,405
Specific provision	100%	29,098	29,098
	<u>14.36%</u>	<u>272,844</u>	<u>39,190</u>

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33. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES
(continued)

Credit risk (continued)

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

Geographic information	<u>2023</u>	<u>2022</u>
Trade Receivables		
Kingdom of Saudi Arabia	274,594	224,972
Poland	16,910	29,173
Gulf Cooperation Council (GCC) countries	12,786	11,581
Others	9,293	7,118
	<u>313,583</u>	<u>272,844</u>

b) Cash and cash equivalents and investments

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

The cash and cash equivalents and investments are treated under stage 1 and are held with bank and financial institution counterparties, which are rated A1 to A2, based on Moody's credit ratings.

c) Other receivables

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

Liquidity risk

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

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33. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES
(continued)

Liquidity risk (continued)

Excessive risk concentration:

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

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

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

March 31, 2023	<u>Carrying amount</u>	<u>On demand</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Trade and other payables	187,065	--	187,065	--	--	187,065
Accruals and other liabilities	298,454	--	298,454	--	--	298,454
Dividend payables	3,595	3,595	--	--	--	3,595
Due to related parties	3,391	--	3,391	--	--	3,391
Non-controlling interest put option	65,613	--	65,163	--	--	65,163
Lease liabilities	63,944	--	15,379	28,979	43,855	88,213
	<u>622,062</u>	<u>3,595</u>	<u>569,452</u>	<u>28,979</u>	<u>43,855</u>	<u>645,881</u>
March 31, 2022	<u>Carrying amount</u>	<u>On demand</u>	<u>Less than 1 year</u>	<u>1 to 5 years</u>	<u>More than 5 years</u>	<u>Total</u>
Trade and other payables	191,501	--	191,501	--	--	191,501
Accruals and other liabilities	272,244	--	272,244	--	--	272,244
Dividend payables	3,176	3,176	--	--	--	3,176
Due to related parties	1,403	--	1,403	--	--	1,403
Non-controlling interest put option	26,979	--	--	26,979	--	26,979
Lease liabilities	66,633	--	16,061	26,255	50,252	92,568
	<u>561,936</u>	<u>3,176</u>	<u>481,209</u>	<u>53,234</u>	<u>50,252</u>	<u>587,871</u>

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(All amounts in Saudi Riyals thousands unless otherwise stated)

34. CAPITAL MANAGEMENT

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

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

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

	<u>2023</u>	<u>2022</u>
Total liabilities	808,636	725,066
Cash and cash equivalents	(290,299)	(625,962)
Net debt	518,337	99,104
Share capital	325,000	325,000
Statutory reserve	162,500	162,500
Other reserve	334,049	303,172
Treasury shares	(51,559)	(51,559)
Foreign currency translation reserve	(10,401)	(11,506)
Retained earnings	893,577	812,596
Non-controlling interests	22,381	21,151
Total equity	1,675,547	1,561,354
Net debt to equity ratio	0.31	0.06

35. FAIR VALUE OF ASSETS AND LIABILITIES

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.

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35. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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 consolidated 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.

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>March 31, 2023</u>				
Long term investment	38,483	--	--	38,483
Non-controlling interest put option	--	65,163	--	65,163
<u>March 31, 2022</u>				
Non-controlling interest put option	--	--	24,229	24,229

During the year ended March 31, 2023 the fair value hierarchy of the Non-controlling interest put option has changed from level 3 to level 2 as the redemption amount is estimated in line with the transaction agreements and is based on the actual FY22 consolidated results of Mlekoma.

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

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

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35. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

<u>March 31, 2023</u>	<u>Carrying amount</u>			
	<u>Amortised</u>	<u>Fair value</u>	<u>Fair value</u>	<u>Total</u>
<u>Description:</u>	<u>cost</u>	<u>through</u>	<u>through other</u>	
		<u>profit or loss</u>	<u>comprehensive</u>	
			<u>income</u>	
Financial assets not measured at fair value				
Long term investment	38,258	--	--	38,258
Trade receivables	285,812	--	--	285,812
Short term investment	394,520	--	--	394,520
Cash and cash equivalents	290,299	--	--	290,299
Other receivables	5,038	--	--	5,038
Financial liabilities measured at fair value				
Non-controlling put option	--	65,163	--	65,163
Financial liabilities not measured at fair value				
Accrued expenses and other liabilities	298,454	--	--	298,454
Trade and other payables	187,065	--	--	187,065
Lease liabilities	63,944	--	--	63,944
Dividend payables	3,595	--	--	3,595
Due to related parties	3,391	--	--	3,391
<u>March 31, 2022</u>	<u>Carrying amount</u>			
	<u>Amortised</u>	<u>Fair value</u>	<u>Fair value</u>	<u>Total</u>
<u>Description:</u>	<u>cost</u>	<u>through</u>	<u>through other</u>	
		<u>profit or loss</u>	<u>comprehensive</u>	
			<u>income</u>	
Financial assets not measured at fair value				
Trade receivables	233,654	--	--	233,654
Cash and cash equivalents	625,962	--	--	625,962
Other receivables	4,433	--	--	4,433
Financial liabilities measured at fair value				
Non-controlling put option	--	24,229	--	24,229
Financial liabilities not measured at fair value				
Accrued expenses and other liabilities	272,244	--	--	272,244
Trade and other payables	191,501	--	--	191,501
Lease liabilities	66,633	--	--	66,633
Dividend payables	3,176	--	--	3,176
Due to related parties	1,403	--	--	1,403

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36. DIVIDENDS

The following dividends were declared by the Group during the year:

In the Annual General Meeting (March 31, 2022: Extraordinary General Assembly Meeting) of the Company held on June 28, 2022 (March 31, 2022: July 12, 2021), the shareholders approved final dividend of Saudi Riyals 3 per share (March 31, 2022: Saudi Riyals 3 per share) amounting to Saudi Riyals 96 million (March 31, 2022: Saudi Riyals 96 million).

On January 3, 2023 (March 31, 2022: January 4, 2022), the Board of Directors approved interim dividend of Saudi Riyals 3 per share (March 31, 2022: Saudi Riyals 3 per share) amounting to Saudi Riyals 96 million (March 31, 2022: Saudi Riyals 96 million). Total dividend distributed for the year amounted to Saudi Riyals 192 million (March 31, 2022: Saudi Riyals 192 million). Dividend paid during the year was amounting to Saudi Riyals 191.6 million (March 31, 2022: Saudi Riyals 192.2 million).

37. CONTINGENCIES, COMMITMENTS AND OTHER INFORMATION

37.1 Contingencies

- As at March 31, 2023, the banks have issued letter of guarantees on behalf of Group amounting to Saudi Riyals 1.4 million (March 31, 2022: Saudi Riyals 1.4 million) for various business needs.

37.2 Commitments and other information

- As at March 31, 2023, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 24.6 million (March 31, 2022: Saudi Riyals 42.2 million).

38. SUBSEQUENT EVENTS

There have been no significant events since the year ended March 31, 2023 that would require disclosures or adjustments in these consolidated financial statements.

39. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation to these financial statements.

40. AUTHORIZATION OF FINANCIAL INFORMATION

These consolidated financial statements were approved and authorized for issue by the Board of Directors of Group on June 15, 2023, corresponding to Dhul Qadah 26, 1444H.