

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

UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION FOR THE THREE-MONTH
PERIOD ENDED JUNE 30, 2020 AND REPORT ON REVIEW
OF CONDENSED CONSOLIDATED INTERIM FINANCIAL
INFORMATION

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A SAUDI JOINT STOCK COMPANY)
UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
FOR THE THREE-MONTH PERIOD ENDED JUNE 30, 2020

	Page
Report on review of condensed consolidated interim financial information	2
Condensed consolidated interim statement of profit or loss	3
Condensed consolidated interim statement of comprehensive income	4
Condensed consolidated interim statement of financial position	5
Condensed consolidated interim statement of changes in equity	6
Condensed consolidated interim statement of cash flows	7
Notes to the condensed consolidated interim financial information	8 - 18



Report on review of condensed consolidated interim financial information

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudia Dairy & Foodstuff Company (the “Company” or “SADAFCO”), together with its subsidiaries (collectively referred to as the “Group”) as of June 30, 2020 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended and notes, comprising a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - “Interim Financial Reporting” (IAS 34), as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Conclusion

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

PricewaterhouseCoopers



Mufaddal A. Ali
License Number 447

July 26, 2020

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

	Note	Three-month period ended June 30,	
		2020 (Unaudited)	2019 (Unaudited)
Revenue – net	4	565,993	485,232
Cost of revenue		(382,693)	(328,759)
Gross profit		183,300	156,473
Selling and distribution expenses		(73,443)	(70,431)
General and administrative expenses		(33,594)	(24,909)
Impairment loss on financial assets		(500)	(910)
Other operating income - net		923	808
Operating profit		76,686	61,031
Finance income		1,065	3,298
Finance costs		(1,949)	(2,092)
Profit before zakat		75,802	62,237
Zakat		(5,268)	(4,331)
Profit for the period		70,534	57,906
Profit is attributable to:			
Owners of SADAFCO		70,402	58,283
Non-controlling interests		132	(377)
		70,534	57,906
Earnings per share:			
Basic and dilutive earnings per share (Saudi Riyals) attributable to owners of SADAFCO	6	2.20	1.82

The notes from 1 to 15 form part of this condensed consolidated interim financial information.



Mussad Abdullah Al Nassar
Member Board of Directors



Waltherus Cornelis Petrus
Matthijs
Chief Executive Officer



Shehzad Altaf
Chief Financial Officer

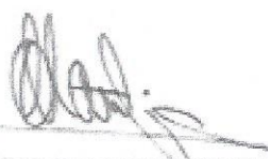
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of comprehensive income
 (All amounts in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Profit for the period	70,534	57,906
Other comprehensive income / (loss)		
<i>Items that may be reclassified to profit or loss</i>		
Exchange difference on translation of foreign operations	(76)	128
<i>Items that will not to be reclassified to profit or loss</i>		
Re-measurement gain on employee benefit obligations	-	-
Other comprehensive income / (loss) for the period	(76)	128
Total comprehensive income for the period	70,458	58,034
Total comprehensive income / (loss) for the period is attributable to:		
Owners of SADAFCO	70,329	58,409
Non-controlling interests	129	(375)
	70,458	58,034

The notes from 1 to 15 form part of this condensed consolidated interim financial information.



Mussad Abdullah Al Nassar
Member Board of Directors



Waltherus Cornelis Petrus Matthijs
Chief Executive Officer



Shehzad Altaf
Chief Financial Officer

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

	Note	June 30, 2020 (Unaudited)	March 31, 2020 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	7	804,966	797,525
Right-of-use assets		72,915	72,164
Intangible assets		25,465	26,133
Other non-current assets		5,642	5,646
		908,988	901,468
Current assets			
Inventories		388,201	357,627
Trade and other receivables		197,923	215,968
Deposits, prepayments and other assets		57,572	53,567
Cash and cash equivalents		721,063	645,839
		1,364,759	1,273,001
Total assets		2,273,747	2,174,469
Liabilities			
Non-current liabilities			
Employee benefit obligations		113,096	113,041
Lease liabilities		58,734	57,174
Non-controlling interest put option and other liabilities		30,070	29,330
		201,900	199,545
Current liabilities			
Trade and other payables		209,397	221,172
Accruals and other liabilities		276,163	243,052
Current portion of lease liabilities		12,208	12,151
Dividends payable		83,474	3,475
Zakat payable	8	21,242	16,327
Due to related parties	9	2,438	2,281
		604,922	498,458
Total liabilities		806,822	698,003
Equity			
Issued share and paid up capital		325,000	325,000
Statutory reserve		162,500	162,500
Other reserves	12	263,428	256,388
Treasury shares		(51,559)	(51,559)
Foreign currency translation reserves		(2,408)	(2,335)
Retained earnings		750,196	766,833
Equity attributable to owners of SADAFCO		1,447,157	1,456,827
Non-controlling interests		19,768	19,639
Total equity		1,466,925	1,476,466
Total equity and liabilities		2,273,747	2,174,469

The notes from 1 to 15 form part of this condensed consolidated interim financial information.



Mussad Abdullah Al Nassar
Member Board of Directors



Waltherus Cornelis Petrus Matthijs
Chief Executive Officer



Shehzad Altaf
Chief Financial Officer

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

	Attributable to owners of SADAFCO								
	Issued share and paid up capital	Statutory reserve	Other reserve	Treasury shares	Foreign currency translation reserves	Retained earnings	Non-controlling interests	Total equity	
Balance at April 1, 2019 (audited)	325,000	162,500	229,762	(51,559)	(525)	673,267	1,338,445	19,414	1,357,859
Profit / (loss) for the period	-	-	-	-	126	58,283	58,283	(377)	57,906
Other comprehensive income/ Total comprehensive income/ (loss) for the period	-	-	-	-	126	-	126	2	128
Dividends declared	-	-	-	-	-	58,283	58,409	(375)	58,034
Transfer to other reserve (Note 12)	-	-	5,828	-	-	(64,000)	(64,000)	-	(64,000)
Balance at June 30, 2019 (unaudited)	325,000	162,500	235,590	(51,559)	(399)	661,722	1,332,854	19,039	1,351,893
Balance at April 1, 2020 (audited)	325,000	162,500	256,388	(51,559)	(2,335)	766,833	1,456,827	19,639	1,476,466
Profit for the period	-	-	-	-	-	70,402	70,402	132	70,534
Other comprehensive income/ Total comprehensive income/ (loss) for the period	-	-	-	-	(73)	-	(73)	(3)	(76)
Dividends declared (Note 13)	-	-	-	-	-	70,402	70,329	129	70,458
Transfer to other reserve (Note 12)	-	-	7,040	-	-	(79,999)	(79,999)	-	(79,999)
Balance at June 30, 2020 (unaudited)	325,000	162,500	263,428	(51,559)	(2,408)	750,196	1,447,157	19,768	1,466,925

The notes from 1 to 15 form part of this condensed consolidated interim financial information.

Messrs Abdullah A. Nasser
 Member Board of Directors



Walidius Carranis Patris Martijis
 Chief Executive Officer




Shehzad Altaf
 Chief Financial Officer



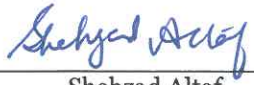
SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Condensed consolidated interim statement of cash flows
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Three-month period ended	
	June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Cash flow from operating activities		
Profit before zakat	75,802	62,237
<u>Adjustments for:</u>		
Depreciation	25,240	23,167
Amortization of intangible assets	668	596
Gain on disposal of property, plant and equipment	(877)	(280)
Impairment loss on financial assets	500	910
Finance costs on lease liabilities	1,193	642
Finance costs on non-controlling interest put option and other liabilities	740	1,450
Provision for employee benefit obligations	3,606	3,923
Other	4	(176)
	<u>106,876</u>	<u>92,469</u>
<u>Changes in:</u>		
Inventories	(30,574)	(30,957)
Trade and other receivables	17,545	(9,105)
Deposits, prepayments and other assets	(4,005)	3,600
Trade and other payables	(11,775)	(6,070)
Due to related parties	157	293
Accruals and other liabilities	33,111	19,517
	<u>111,335</u>	<u>69,747</u>
Employee benefit obligations paid	(3,551)	(3,374)
Zakat paid	(353)	-
Net cash inflow from operating activities	<u>107,431</u>	<u>66,373</u>
Cash flow from investing activities		
Purchases of property, plant and equipment	(28,743)	(18,879)
Sale proceeds from disposal of property, plant and equipment	906	281
Net cash outflow from investing activities	<u>(27,837)</u>	<u>(18,598)</u>
Cash flow from a financing activity		
Principal element of lease payments	(4,294)	(5,304)
Net change in cash and cash equivalents	75,300	42,471
Effects of exchange rate fluctuations on cash and cash equivalents	(76)	128
Cash and cash equivalents at the beginning of the period	<u>645,839</u>	<u>582,055</u>
Cash and cash equivalents at the end of the period	<u>721,063</u>	<u>624,654</u>

The notes from 1 to 15 form part of this condensed consolidated interim financial information.


Mussad Abdullah Al Nassar
Member Board of Directors


Waltherus Cornelis Perrus Matthejs
Chief Executive Officer


Shehzad Altaf
Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. General Information

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

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

In response to the spread of Covid-19, in the last quarter ended March 31, 2020, in all territories where the Group operates and resulting disruptions to the social and economic activities in those markets, the Group has taken a series of preventive measures, to ensure the health and safety of its employees, their families, customers, consumers and wider community to ensure the continuity of supply of its products. As a producer of nutritious dairy products respective Governments have permitted the Group to operate, within guidelines, essentially as normal. Based on these factors, the management believes that the pandemic had no material effect on the reported financial results for the three-month period ended June 30, 2020. The Group continues to monitor this situation closely.

2. Basis of preparation

2.1 Statement of compliance

This condensed consolidated interim financial information of the Group has been prepared in compliance with International Accounting Standard 34 - Interim Financial Reporting (IAS 34), as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (“SOCPA”).

The condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended March 31, 2020. IAS 34 states that the condensed interim financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosures in interim financial information than IFRS requires in annual financial statements.

2.2 Accounting convention / Basis of measurement

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

- 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
- Certain non-current assets measured at fair value.

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

2.3 New and amended standards adopted by the Group

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

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)**(All amounts in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)**2.4 Standards and interpretations issued but not yet effective and applied by the Group**

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

2.5 Critical accounting estimates and judgements

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities were the same as those described in the last annual consolidated financial statements.

The Group has reviewed the key sources of estimation uncertainties against the backdrop of Covid-19 pandemic. Management believes all sources of estimation uncertainty remain similar to those disclosed in the annual Consolidated Financial Statements for the year ended March 31, 2020. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

3. Significant accounting policies

The accounting policies adopted by the Group for the preparation of the condensed consolidated interim financial information are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended March 31, 2020.

4. Segment information**4.1 Operating segment**

Following the management approach in regard to IFRS 8, operating segments are reported in accordance with the internal reporting provided to the Board of Directors and CEO, (together chief operating decision maker, CODM), who is responsible for allocating the reportable segments and assessing their performance. The drinks segment represents milk and juice products, while non-drinks represent ice creams, tomato paste, cheese and snacks.

	Three-month period ended			Total
	Drinks	Non-Drinks	Unallocated	
June 30, 2020 (Unaudited)				
Revenue - net	352,047	237,183	-	589,230
Inter-segment revenue - net	-	(23,237)	-	(23,237)
Revenue from external customers	352,047	213,946	-	565,993
Profit before zakat	42,645	33,157	-	75,802
Depreciation and amortization	18,708	7,200	-	25,908

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

	June 30, 2020			
	Drinks	Non-Drinks	Unallocated	Total
Property, plant and equipment	583,613	221,353	-	804,966
Right-of-use assets	59,445	13,470	-	72,915
Intangible assets	-	25,465	-	25,465
Other non-current assets	-	5,399	243	5,642
Current assets	-	51,143	1,313,616	1,364,759
Total assets	643,058	316,830	1,313,859	2,273,747
Current liabilities	9,567	29,270	566,085	604,922
Non-controlling interest put option and other liabilities	-	30,070	-	30,070
Lease liabilities	48,053	10,681	-	58,734
Employee benefit obligations	-	230	112,866	113,096
Total liabilities	57,620	70,251	678,951	806,822
	Three-month period ended			
	Drinks	Non-Drinks	Unallocated	Total
June 30, 2019 (Unaudited)				
Revenue - net	278,484	212,035	-	490,519
Inter - segment revenue - net	-	(5,287)	-	(5,287)
Revenue from external customers	278,484	206,748	-	485,232
Profit before zakat	40,207	22,030	-	62,237
Depreciation and amortization	17,687	6,076	-	23,763
	March 31, 2020 (Audited)			
	Drinks	Non-Drinks	Unallocated	Total
Property, plant and equipment	582,119	215,406	-	797,525
Right-of-use assets	58,831	13,333	-	72,164
Intangible assets	-	26,133	-	26,133
Other non-current assets	-	5,403	243	5,646
Current assets	-	55,036	1,217,965	1,273,001
Total assets	640,950	315,311	1,218,208	2,174,469
Current liabilities	9,260	34,885	454,313	498,458
Non-controlling interest put option and other liabilities	-	29,330	-	29,330
Lease liabilities	47,018	10,156	-	57,174
Employee benefit obligations	-	230	112,811	113,041
Total liabilities	56,278	74,601	567,124	698,003

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)
 (All amounts in Saudi Riyals thousands unless otherwise stated)

4. Segment information (continued)

4.1 Operating segment (continued)

The management has categorized its geographical operations as follows:

	Three-month period ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Geographic information		
Revenue from external customers		
Kingdom of Saudi Arabia	492,341	406,356
Poland	40,128	51,855
Gulf Cooperation Council (GCC countries)	16,828	15,114
Others	16,696	11,907
Total	565,993	485,232
	June 30,	March 31,
	2020	2020
	(Unaudited)	(Audited)
Non-current operating assets		
Kingdom of Saudi Arabia	809,733	802,212
Poland	74,037	75,171
Gulf Cooperation Council (GCC countries)	19,326	18,848
Others	5,892	5,237
Total	908,988	901,468

4.2 Adjustments

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

4.3 Reconciliation of profit

	Three-month period ended June 30,	
	2020	2019
	(Unaudited)	(Unaudited)
Profit before zakat	75,802	62,237
Zakat	(5,268)	(4,331)
Profit for the period	70,534	57,906

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. Group information

The condensed consolidated interim financial information of the Group includes:

Name	Relationship	Principal activities	Country of incorporation	% equity interest	
				June 30, 2020	March 31, 2020
SADAFCO Bahrain Company SPC	Subsidiary	Foodstuff and dairy products	Bahrain	100%	100%
SADAFCO Jordan Foodstuff Company LLC	Subsidiary	Foodstuff and dairy products	Jordan	100%	100%
SADAFCO Qatar 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 Z.o.o	Associate	Dairy products	Poland	37%	37%

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

SADAFCO's largest shareholder is Qurain Petrochemical Industries Company K.S.C.P. ("QPIC") which is the parent company of the Group and an associate of Kuwait Projects Company Holding K.S.C.P. ("KIPCO"). QPIC and KIPCO both are listed on Kuwait Stock Exchange.

6. Earnings per share (EPS)

The basic and dilutive EPS is computed as follows:

	Three-month period ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)
Profit attributable to owners of SADAFCO	70,402	58,283
Weighted average number of ordinary shares outstanding (in thousands)	32,000	32,000
Basic and diluted earnings per share (Saudi Riyals)	2.20	1.82

7. Property, plant and equipment

The additions during the three-month period ended June 30, 2020 amounting to Saudi Riyals 28.7million (year ended March 31, 2020: Saudi Riyals 92.6 million and three-month period ended June 30, 2019: Saudi Riyals 18.9 million), mainly represent additions to capital work-in-progress for plant and machinery in the existing factories.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)**(A Saudi Joint Stock Company)****Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)**

(All amounts in Saudi Riyals thousands unless otherwise stated)

8. Zakat matters

Zakat assessments for the years up to and including 2017 have been finalized with the General Authority for Zakat and Tax (GAZT). During this quarter, the GAZT has raised assessments for the years 2018 and 2019 with additional zakat liabilities of Saudi Riyals 3.9 million on June 29, 2020. The Company has accepted these assessments and settled these liabilities on July 6, 2020 and finalized the position for these years. The Company has received zakat certificate valid until July 31, 2021.

9. Related party matters**9.1 Transactions and balances with related parties**

- (a) Transactions with related parties were undertaken in the ordinary course of business at commercial terms and were approved by the management.
- (b) Significant related party transactions and balances for the period ended June 30 and balances arising there from are described as under:

Transactions with	Nature of transaction	Amount of transactions Three-month period ended June 30,		Due to related parties	
		2020 (Un-audited)	2019 (Un-audited)	June 30, 2020 (Un-audited)	March 31, 2020 (Audited)
Buruj Cooperative Insurance Company (affiliate) (*)	Insurance premium	2,777	2,648	2,438	2,281
PKC Advisory (affiliate)	Consultancy services	226	198	-	-
				2,438	2,281

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

9.2 Compensation of key management personnel of the Group

Compensation to Group's key management personnel includes salaries and contributions to post-employment defined benefit plan. The Group has recognized an expense of Saudi Riyals 3.8 million for the three-month period ended June 30, 2020 (June 30, 2019: Saudi Riyals 3.9 million).

10 Financial Instruments**10.1 Financial assets**

	June 30, 2020 (Unaudited)	March 31, 2020 (Audited)
Financial assets at amortised cost		
Trade and other receivables	197,923	215,968
Cash and cash equivalents	721,063	645,839
Security and other deposits	5,117	3,726
Total financial assets	924,103	865,533

Trade and other receivables

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

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)
 (All amounts in Saudi Riyals thousands unless otherwise stated)

10 Financial Instruments (continued)

10.2 Financial liabilities

	June 30, 2020 (Unaudited)	March 31, 2020 (Audited)
Financial liabilities at amortised cost		
Trade and other payables	209,397	221,172
Accruals and other liabilities	273,077	239,966
Lease liabilities	70,942	69,325
Dividends payable	83,474	3,475
Due to related parties	2,438	2,281
	639,328	536,219
Financial liabilities at fair value through profit or loss		
Non-controlling interest put option and other liabilities	33,156	32,416
	33,156	32,416
Total financial liabilities	672,484	568,635

The carrying amount of financial assets and liabilities approximates their fair value. Financial assets are not considered to pose a significant credit risk.

10.3 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 condensed consolidated interim financial information 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.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)
 (All amounts in Saudi Riyals thousands unless otherwise stated)

10. Financial Instruments (continued)

10.3 Fair value measurement (continued)

For assets and liabilities that are recognised in the condensed consolidated interim financial information 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.

10.4 Financial instruments carried at fair value

a) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

	Non- controlling interest put option and other liabilities
April 1, 2020 (audited)	32,416
Unwinding of discount	<u>740</u>
June 30, 2020 (unaudited)	<u>33,156</u>

11. Commitments and contingencies

- (a) As at June 30, 2020, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 77.1 million (March 31, 2020: Saudi Riyals 72.2 million).
- (b) As at June 30, 2020, the Group has contingent liabilities of Saudi Riyals 3.3 million (March 31, 2020: Saudi Riyals 3.3 million) in respect of guarantees issued for various business needs.

12. Other reserve

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

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial information for the three-month period ended June 30, 2020 (Unaudited)

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. Dividends

In the Extraordinary General Assembly Meeting of the Company held on June 16, 2020, the shareholders approved payment of final dividend of Saudi Riyals 2.5 per share (Saudi Riyals 79.9 million).

14. Corresponding figure

'General and administrative expenses' amounting to Saudi Riyals 2.1 million have been reclassified to 'Finance costs' in June 30, 2019 comparative in the condensed consolidated interim statement of profit or loss to confirm with the current period presentation.

15. Authorization of financial information

These condensed consolidated interim financial information was authorized for issue by the Board of Directors on July 26, 2020.