SADAFCO سدافكو

GUARANTEED QUALITY

SAUDIA DAIRY AND FOODSTUFF COMPANY

ANNUAL REPORT 2011 - 2012

بسم الله الرحمن الرحيم

The Custodian of The Two Holy Mosques

King Abdullah bin Abdulaziz Al Saud

H. R. H.

Prince Naif bin Abdulaziz Al Saud

Crown Prince, Deputy Premier, Minister of Interior

Our Vision

To be the " Brand of Choice "

Our Mission

To develop , produce and market a range of nutritious food propositions for consumers of all age groups and create maximum shareholder value through team work

Our Values

Integrity, Respect For All, Passion, Quality

Chairman's Message

In the name of God the most Gracious the most Merciful

Dear Shareholders,

On behalf of myself and my colleagues on the Board of Directors of SADAFCO, I am pleased to congratulate you on the good results that were achieved at SADAFCO for the Year 2011-12 as is displayed in the following Annual Report, Financial Year-End results and Auditor's report.

SADAFCO has achieved net profits of SAR 152 million in an ever-increasingly competitive market after ending the year with Net Sales of SAR 1,336 million, an achievement which is 18% higher than the SAR 1,134 million for the year 2010-11.

During 2011-12, various options to increase our manufacturing capacity to meet the rising demand for our products were considered. It was decided that the most immediate solution involved the re-opening of our facilities in Dammam.

The Dammam Factory re-opening will cater for Tomato Paste, Crispy Snacks and Cheese production, which will facilitate the process of taking over the manufacture of some of our company's contract pack items with resultant margin improvements. It will also allow us to increase our manufacturing capabilities in the Jeddah Factory to introduce some exciting New Product Development ideas.

The Board has approved the construction of a state-of-the-art Riyadh Regional Distribution Centre worth SAR 65 million to meet the rise in consumer demand. The RRDC is expected to be operational by 2014.

Regarding Saudization and the development of Saudi graduates, SADAFCO was involved in a formal two-month training program for 200 Saudi graduates late in 2010-11 and, early in 2011-12, 70 candidates from this group were selected to fill positions in the company across all locations.

In another development initiative, SADAFCO was involved with the Department of Labor in Riyadh, Jeddah, Dammam, Madinah and Abha in preparing Saudi students for the workplace by sponsoring English classes and supervisory and managerial skills workshops during the Summer 2011 vacations.

Part of the company efforts to increase Saudization percentages to further improve on our current Green status in the Nitaqat Program will be supported by the national recruitment campaign set in motion late in 2011-12 for the new Dammam location and other centers within the Kingdom. The target is to recruit over 200 Saudi men and women across all business functions this year.

SADAFCO also showed no hesitation in adopting the directions of The Custodian of the Two Holy Mosques King Abdullah regarding the minimum wage level for Saudis.

The company continues to show its commitment to the local community through various corporate social responsibility projects and events in the health, educational and community sectors.

In closing, I would like to thank the Custodian of the Two Holy Mosques, His Highness the Crown Prince and the Government of Saudi Arabia for their continued efforts to support national industries.

Thanks must also go to SADAFCO shareholders, Board Members, executive management and employees for their combined, continued efforts to develop and grow the company.

Finally, I would also like to convey my thanks to the growing number of consumers who buy SADAFCO's products and to all of our customers for their on-going support during the past year.

Chairman,
Hamad Sabah Al-Ahmad

CEO's Message

It is with great pleasure that I reflect on an exciting year for SADAFCO, which saw the company maintaining double-digit growth for a third consecutive year and delivering operational profits beyond our budget expectations.

Gross Sales reached another historical high through strong growth trends of key product groups like Long Life Milk, Tomato Paste and Ice Cream as well as continued good performances of recent new product development introductions, most notably Instant Milk Powder (IMP), Butter and French Fries.

The SADAFCO performance has seen the company continuing to out-perform most other local dairy companies.

The healthy growth trends were echoed across all five geographical regions of Saudi Arabia as well as through SADAFCO- operated depots in Jordan, Bahrain and Qatar. Jordan in particular continued to display great promise with growth in excess of 60% being recorded.

The initial search into avenues for capacity expansion has resulted in the decision being taken to re-open the manufacturing facility in Dammam, previously closed in 2006 due to company-wide consolidation measures. The process began in Quarter 3 of 2011-12. On the manufacturing front, our Jeddah Ice Cream Factory has received the international ISO22000:2005 certification and work continues to secure the same for Jeddah Factory and Dammam Factory during 2012-13.

A state of the art Regional Distribution Centre will be developed in Riyadh to enhance product handling in the Central Region. Supply Chain has also added 17 trucks to the long-distance transportation capabilities towards the end of 2011-12 and the long-distance fleet now stands at 67 Tractor Heads.

SADAFCO continues with the improvement of internal efficiencies especially through the further harnessing of the power of the Sales Exception Based Analysis (SEBA) system to measure sales and distribution KPIs. This allows us to fine-tune our efforts in the market place to maximize distribution and visibility at the Point of Purchase and to effectively reward our sales force for their efforts.

This efficiency improvement is not limited to sales and distribution but encompasses all aspects of our activities, including Marketing, Finance, Manufacturing, Supply Chain and Organizational Development.

This effort for efficiency is aimed not only at improving performances within current structures with current employees but also through the sourcing and hiring of qualified staff to facilitate the challenging growth targets of the company.

SADAFCO's continued strong performance during 2011-12 bears testament to the contribution of the dedicated and loyal staff who strive daily to ensure the growth of our brands' and company's success.

I thank SADAFCO's Board members for their continued support. Thanks must also go to all of my SADAFCO colleagues for their support and hard work during the past 12 months and I look forward to their on-going efforts as we approach the challenges of the new financial year.

Thank you to our suppliers and customers who have supported us in our endeavors to make SADAFCO's products available to our brands' loyal consumers.

CEO
Wout Matthijs

Executive Management

From Left to Right

Mr. Khalid Bakhsh	CFO
Mr. Paul Van Schaik	Organizational Development Officer
Mr. Raffael Reinders	Head Of Manufacturing (April 2012)
Mr. Wout Matthijs	CEO
Mr. Ian Byrne	General Sales Manager (April 2012)
Mr. Ziyad Abdulaziz Kabli	Chief Supply Chain Officer
Mr. Mohammed Jameel Attar	Chief Marketing Officer

Introduction:

Since its founding 36 years ago, SADAFCO has been committed to developing, manufacturing, selling and distributing quality dairy and other food products. The company has also undergone numerous changes throughout its history to support the development of its strategy and achieve its objectives.

In addition to its flagship Saudia UHT (Long Life) Milk, Ice Cream and Tomato Paste, SADAFCO drives the company vision of becoming the brand of choice by focusing on the development and introduction of new offerings in line with the company mission statement: "To develop, produce and market a range of nutritious food propositions for consumers of all age groups to create maximum shareholder value through teamwork."

Throughout its long history SADAFCO has gained consumers' confidence across different age groups and nationalities with its high quality SAUDIA brand and competitive prices.

The chart below shows the contribution of each category to the achievement of the overall company results:

#	Product	Contribution to Sales	Contribution to Net profit
1	Milk	65%	79%
2	Tomato paste	8%	8%
3	Ice cream	9%	9%
4	Powdered milk	5%	1%
5	Cheese	6%	2%
6	Others	7%	1%

غذاء متكامل ... طعم لا يضاهى

السعودية

saudia

Superior Nutrition...Supreme Taste

SADAFCO owns wholly and partially owned subsidiaries that help it achieve its objectives through efficient and wide-spread distribution. In addition to this, three companies registered to focus on Real Estate, Logistics and Investments remain dormant whilst strategic plans are finalized.

SADAFCO subsidiaries, their main activities, country of Origin:

#	Company Name	Main Activity	Country of Origin & Head Quarters	Ownership	Paid up Capital	Number of shares/	Debt Instru-ments
1	*SADAFCO Foodstuff Company LLC	Import, sale and distribution of dairy products and other goods	United Arab Emirates	100%	300,000 Emirati Dirhams	300	0
2	SADAFCO Jordan Foodstuff Company LLC	Import, export, distribution, marketing, and trading dairy goods, ice cream and goods of all kinds	Hashemite Kingdom of Jordan	100%	250,000 Jordanian Dinars	250,000	0
3	SADAFCO Qatar Co LLC	Sale and distribution of dairy products and goods	Qatar	75%	1,500,000 Qatari Riyals	1500	0
4	SADAFCO Bahrain Company LLC	Import, export, sale, and dis-tribution of dairy goods, ice cream, and other SADAFCO products	Kingdom of Bahrain	100%	20,000 Bahraini Dinars	400	0
5	National Buildings Real Estate	Ownership and acquisition of land and real-estate, developing and investing in real-estate projects	Kingdom of Saudi Arabia	100%	2,000,000 Saudi Riyals	200,000	0
6	United Gulfers Transport	Transportation of goods, storage, and refrigeration & logistics	Kingdom of Saudi Arabia	100%	2,000,000 Saudi Riyals	200,000	0
7	National Sights Holding	Investment in controlling Stakes in companies	Kingdom of Saudi Arabia	100%	2,000,000 Saudi Riyals	200,000	0

*A decision made by the board of directors approving the liquidation of the company on 18/01/2011, legal action has been taken including deletion of the commercial register.

- There are no Debt instruments issued by any of the above subsidiaries

Sales and Trade Marketing:

Net Sales figures in 2011-12 were once again up, showing a double-digit increase of a record 18% year on year, further strengthening the company's position.

This has been achieved through a strong sales and trade marketing effort focusing on availability, visibility and rotation while continuing to improve on efficiencies through the utilization of the power of the Sales Exception Based Analysis (SEBA) system.

The SEBA system development is an on-going process that sees regular updates and fine-tuning to increase the impact of Sales Key Performance Indicator (KPI) monitoring. One of the most recent developments has been the establishment of a structured, daily route endorsement process requiring sales supervisors to critically analyze performances to develop actionable solutions for problem areas. This daily activity aims to address and solve problems or shortcomings as soon as they arise.

The collection of Accounts Receivable has been given a boost through the formulation and introduction of a new credit policy across all Trade Channels. The implementation process was intensive with training required across the IT, Finance and Sales functions. Immediately after training, the policy was introduced through a national and Gulf roll-out.

Further development of the Sales Team was achieved by recruiting capable and enthusiastic employees from within the company, resulting in the successful introduction of an Internal Development Program to draw promising individuals from across all business functions to join the SADAFCO Sales Force. The program had the added advantage of boosting morale by introducing scope for career-development within the organization.

While the achievement of daily, monthly, quarterly and annual sales targets in a consistent and disciplined manner drove the challenging objectives for the year, focus on ensuring visibility in the trade to promote movement out of the stores was very important. A number of initiatives in this field were launched during the year.

Sales Strategy has continued to target Modern Trade (supermarkets and hypermarkets) to improve the visibility of our key products. Innovative, highly-branded UHT floor display stands were deployed throughout this channel with 500 stands being placed across all markets resulting in greater visibility of the company's products.

In line with company strategy to focus on children's products, the Junior range has benefitted from the deployment of display stands in supermarkets and hypermarkets. The stands were re-designed to incorporate the full Junior offering - Growing Up Milk (Ready To Drink), Powder and Growing Up Fruit nectar.

Year on year ice cream sales have risen due to the nationwide distribution of 5500 freezers during the year, substantially increasing the reach of the Ice Cream portfolio.

In store, three initiatives drove visibility for frozen products. These were the Vertical Freezer Trial, Frozen Gondola-End Branding and Acrylic Display Boxes.

The table below shows SADAFCO's sales by region and subsidiary for 2011-12:

#	Description	Country	Region	SAR Millions
1	SADAFCO-KSA	Saudi Arabia	Western Region	320
			Southern Region	245
			Central Region	304
			Northern Region	146
			Eastern Region	144
2	SADAFCO-BAHRAIN	Bahrain	Bahrain	33
3	SADAFCO QATAR	Qatar	Qatar	33
4	SADAFCO JORDAN	Jordan	Jordan	78
5	EXPORT	Kuwait	Kuwait	14
		UAE	UAE	8
		Others	Yemen, Egypt, etc	12
		Total		**1,336**

Marketing:

Market share development for key categories during 2011-12 was ahead of expectations with a gain of two percentage points in Milk to reach 56.2% of the KSA Market and increases of five points in both Tomato Paste and Ice Cream to reach 42.6 % and 21% respectively in the KSA Market.

These gains came as a result of strong improvements in Awareness and Loyalty attributes in the Milk and Tomato Paste categories. Awareness in Milk improved by eight points while Tomato Paste increased by three points. On the Loyalty scale, Milk gained six points and Tomato Paste climbed by four points.

These gains came from continued investment in consumer connectivity programs across all categories in the Kingdom. During the year the focus of brand building extended beyond the borders of Saudi Arabia to include Qatar, Bahrain and Jordan, with the inclusion of these territories in the marketing activities.

The achievement of market leadership in the Ice Cream category was also a landmark of market share gains during 2011-12.

The contribution of New Product Development innovation to total sales exceeded expectations, coming in at 5% of sales. This came with the introduction of Gold Milk 1-litre, No Sugar Added Low Fat Vanilla Ice Cream, additional flavors of 5-litre Ice Cream and premium flavors of Ice Cream in 500ml. Continued good performances of French Fries and Butter also added to this success.

New ideas are continuously being explored to see where opportunities exist to build the profitable growth through the Saudia brand into the future. A major objective of the marketing initiative remains the acceleration of the rejuvenation of the Saudia brand through enhancing the emotional connection with consumers through advertising, activation and sampling. Already achieved is the re-introduction of Saudia advertising on television with the recent production and commencement of airing of a new Saudia TV commercial.

Manufacturing:

The Manufacturing function focused on consistent product supply, operations efficiencies, people development, quality and capital investment implementation during 2011-12.

In the area of product supply, Jeddah Factory and Jeddah Ice Cream Factory achieved 99% in terms of conformance to plan, well ahead of the targeted ≥ 85%. This has been achieved not only through the achievement of efficiencies but also through investment into additional machinery, which has improved manufacturing capacity.

A quality focus has been on the successful ISO 22000:2005 certification of SADAFCO factories, an 18-month process that showed the first signs of bearing fruit when the Jeddah Ice Cream Factory achieved ISO 22000:2005 certification late in 2011-12. Jeddah Factory is expected to upgrade to this certification by mid-2012 and the planned Dammam Factory will have the same certification by the end of 2012.

Regarding Dammam Factory, the construction and refurbishment process commenced in 2011-12. Dammam factory will produce Snacks, Tomato Paste, that will be moved from the Jeddah Factory, in addition to the manufacture of Cheese. The move will allow for increased space in Jeddah Factory to increase manufacturing capacity for some of SADAFCO's New Product Development initiatives and in turn to bring some previously contract packaged products in-house.

The drive for matching manufacturing with depot demand and improvement of efficiencies will remain a constant focus.

Supply Chain and Logistics

- The primary distribution fleet has totaled 12 million km across the KSA, Jordan and GCC delivering more than 34 million cases of finished goods at yet another improved service level of 99.1% for 2011-2012. The productive output per truck has improved by 4% benefitting from the expansion of the fleet to 67 vehicles with an additional capacity of 4-5 tonnes per truck.
- In the secondary distribution field 87 vehicles were replaced across the fleet to enhance overall fleet capacity and efficiency. The overall result was an extension of routes, with more efficient journey cycles. In cold chain, storage quality and capacity enhancement initiatives continued in 2011/2012 and in accordance with the growth and business needs of SADAFCO.
- Supply Chain continues to source high quality raw and packaging material from local and international suppliers at over 99% quality and service level.

Stable raw material costs were achieved due to a combination of factors:

- variation of suppliers
- Continuous monitoring of raw material market's global production and consumption trends to enable strategic buying of raw materials at most favorable prices.

Human Resources Management

Looking back on 2011/12 within Human Resources a strong emphasis was placed on recruitment, further aligning policies and procedures by improving HR Administration systems, and Project People Performance Management (PPM).

Several key positions have been filled with new recruits and our efforts remain in the coming year to fill more positions. Saudization had and has our continuous attention. At the closing of the financial year SADAFCO achieved a green status within the Nitaqat system set by the Ministry of Labour . A goal to employ more than 2% females within SADAFCO was also realized. The aim is to go beyond the Green Nitaqat zone and increase the participation of female employees.

In September 2011 the BOD approved plans to re-open Dammam factory and efforts started to get the right skills on board. In Dammam we anticipate a high participation of Saudi nationals in the workforce, both male and female.

With Project PPM new organization charts have been drafted for each function within the company and all job descriptions have been rewritten. The number of roles has almost been reduced by half. All jobs have been evaluated and weighed according to the Hay method and ranked. The result is a complete job matrix.

A new reward policy has been designed along with a new target and appraisal cycle system. All will be presented to the SADAFCO Board for approval. Once approved Project PPM will be implemented. The purpose of Project PPM is to improve People Performance Management within the company and to strengthen our competiveness and be an attractive employer.

Another highlight of 2011-2012 was the promotion of a healthy lifestyle to our employees. SADAFCO has successfully negotiated a discounted Gym Membership for its employees and has also contributed 50% of the subscription. To this date 300 of our employees are enjoying this benefit.

In 2011/12 the long service of employees has been celebrated. In total 143 employees completed more than 20 years service at SADAFCO. Staff retention is important since it ensures continuity of service; we build on our history and staff are key in maintaining the growth momentum.

Corporate Social Responsibility:

SADAFCO participated in several social responsibility programs to contribute to the community:

- Participated in the World Milk Day
- In-kind donations to charity organizations and Koran learning organizations.
- Support to Jeddah Institute of Speech and Hearing (JISH)

Key Performance Indicators:

- The consolidated net profit for the twelve month period ended 31 March 2012 amounted to SAR 152.3 million, an increase of 17% compared to profit for the same period last year (SAR 129.9 million).
- Earnings per share (EPS) for the twelve months period ended 31 March 2012 was SAR 4.69 compared to SAR 4.
- The total gross profit for the twelve month period ended 31 March 2012 amounted to SAR 415.3 million, an increase of 13% compared to profit for the same period last year (SAR 368.1 million).
- The operating profit for the twelve month period ended 31 March 2012 amounted to SAR 153.8 million, an increase of 22% compared to profit for the same period last year (SAR 125.7 million).
- Net Sales as at March 31st 2012 were SR 1,336 Million Vs SAR 1,134 million a growth of 18% Year on Year. This growth was achieved due to various brand activation initiatives and operational excellence across all functions.

SADAFCO Assets and Liabilities (five years)

(Amounts in SAR million)	2011/2012	2010/2011	2009/2010	2008/2009	2007/2008
Current assets	773	806	669	399.2	440.1
Fixed assets	323	268	239	232.3	256.8
Non-Current assets	0	0	56.7	87.8	67
Current liabilities	238	272	228.4	153.9	188
Non- Current liabilities	73	72	69.2	62.8	60.6
Total equity	785	731	667.1	502.6	515.3
Sales	1,336	1,134	1,023	922	871
Net Income	152	130	203	28	57

Income statement:

(Amounts in SAR million)	March 2012	March 2011
Net sales	1,336	1,134
Cost of sales	(920)	(766)
Gross profit	415	368
Other income (net)	5	19
Selling & Distribution	(203)	(189)
General & Admin.	(58)	(53)
Financing and Bank Charges	5	(1)
Zakat	(12)	(14)
Net profit	152	130

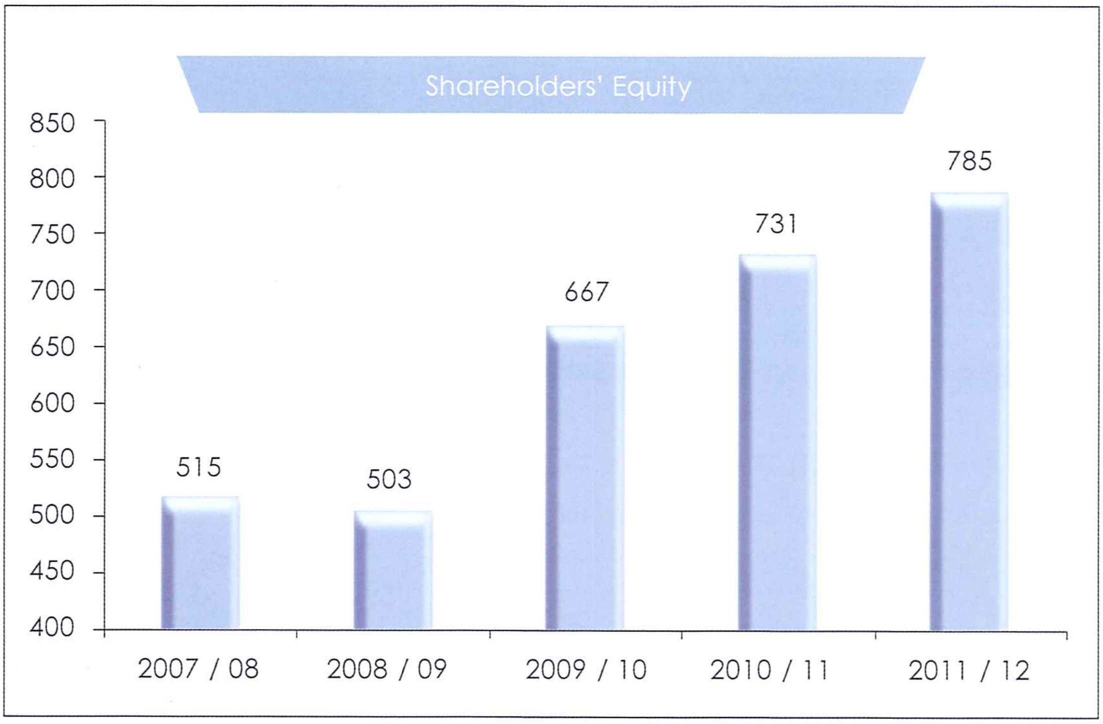
Operating income for the year ended 31st March 2012 was 153.8 Million vs. SAR 125.7 Million for the same period last year registering an increase of 22%. This increase is mainly attributed to a growth of 18% in sales to a record SR 1.336 Billion Vs SR 1.134 Billion for the previous year. Various sales and marketing promotions to promote the "Saudia" brand along with operational excellence across all functions and income from the Murabaha deposit have all contributed to this increase profits.

Statutory Payments for 2012

#	Government Agency (in 000s SR)	Due	Paid	Balance
1	Customs	22,075	22,075	0
2	Zakat	14,537	14,537	14,405*
3	GOSI	3,996	3,496	500**
4	TADAWUL Contract	300	300	0
5	Visas	3,753	3,753	0
6	Tax	1,956	1,956	0
7	others	0	0	0
8	Total	46,617	46,117	14,905

*Un-paid amount represents 2011/12 Zakat due to be paid July 2012

** Relating to March 2012 but not yet due for Payment.



SADAFCO Directors Board Structure of the Board of Directors:

Seven Board members comprise the SADAFCO Board of Directors. They were elected for the period starting 01/04/2009 to 31/03/2012. There were 5 Board meetings during the year. Table below shows Board Members names, classification and attendance record:

Name	Classification	1st Meeting 5/4/2011	2nd Meeting 27/9/2011	3rd Meeting 13/2/2012	4th meeting 14/2/2012	5th Meeting 20/03/12	Total
HH Sheikh: Hamad Sabah Al-Ahmad	Non-executive	√	√	√	√	√	5
Mr. Faick Hussain Al-Saleh	Independent	√	√	√	√	√	5
Mr. Faisal Hamad Mubarak Al-Ayyar	Non-executive	√	√	√	√	√	5
Mr. Abdullah Yaqoob Bishara*	Non-executive	x	√	√	√	√	4
Mr. Essa Khalid Essa Al-Saleh	Non-executive	√	√	√	√	√	5
Mr. Suliman Saud Al-Jarallah	Independent	√	√	√	√	√	5
Mr. Mussad Abdullah Al-Nassar	Executive	√	√	√	√	√	5

*The 13th Annual General Assembly met on June 28th 2011 and re-elected the Board Members named above for a cycle of 3 years starting April 1st 2012 and ending 31st March 2015. *Mr. Abdullah Yacoob Bishara was re-elected in his personal capacity and he was re-classified as an independent Board member as of April 1st 2012. The Capital Market Authority has been notified of this change in classification within the required notification period.

	Name	Listed Companies' Directorships
1	HH Sheikh: Hamad Sabah Al-Ahmad	• Chairman of KIPCO –Kuwait • Chairman of SADAFCO- Saudi Arabia • Chairman of Gulf Egypt Hotels & Tourism company - Egypt • Vice Chairman of United Gulf Bank – Bahrain
2	Mr. Faick Hussain Al-Saleh	• Vice Chairman SADAFCO- Saudi Arabia • Board Member UGB*- Bahrain
3	Mr. Faisal Hamad Mubarak Al-Ayyar	• Vice Chairman of KIPCO – Kuwait • Vice Chairman Gulf Insurance Company- Kuwait • Board Member SADAFCO- Saudi Arabia • Board Member of United Gulf Bank- Bahrain • Vice Chairman Jordan Kuwait Bank - Jordan
4	Mr. Abdullah Yaqoob Bishara	• Chairman of North Africa Holding Company - • Board Member of SADAFCO- Saudi Arabia • Board Member of KIPCO- Kuwait
5	Mr. Essa Khalid Essa Al-Saleh	• Chairman and CEO of United Industries Company- Kuwait • Vice Chairman of Al Qurain Petrochemical Company - • Kuwait • Board Member of Kuwaiti Perfumes Company- Kuwait • Board Member of SADAFCO - Saudi Arabia • Board Member of Al Atoun Steel Industries Company- Saudi Arabia
6	Mr. Suliman Saud Jarallah	• Board Member SADAFCO- Saudi Arabia
7	Mr. Mussad Abdullah Al-Nassar	• Board Member SADAFCO- Saudi Arabia

*On March 26th 2012 Mr Faick Al Saleh Joined the UGB Board of Directors as an independent Member

Board Committees:

Board Audit Committee:

The Audit Committee consists of three members, all are non-executive members of the SADAFCO Board of Directors, amongst them is a specialist in financial matters. The Audit Committee held 7 meetings during the financial year 2011/2012. The committee's functions and responsibilities include:

1. Overseeing the internal audit function within the company, in order to ascertain the adequacy in the implementation of IA guidelines, actions and tasks set by the Board of Directors and establish and examine internal control system.
2. To produce a written report with its views and recommendations regarding the Internal Audit function. To review the Internal Audit report and oversee the implementation of its recommendations.
3. Recommend to the BOD the appointment of auditors, their dismissal, and agreement of their fees and to ensure their independence. Review of the audit plan with the auditors and to study feedback remarks on the financial statements.
4. Review and give feedback on the financial statements before the initial and annual presentation to the Board of Directors.
5. Review accounting policies used and make recommendations to the board of directors.

Table below shows the Audit Committee Members and Attendance Record :

Name	Capacity	1st meeting 4/4/2011	2nd meeting 5/4/2011	3rd Meeting 10/5/2011	4th Meeting 30/5/2011	5th Meeting 8/6/2011	6th Meeting 27/9/2011	7th Meeting 20/3/2012
Mr. Faisal H. M. Al-Ayyar	Chairman	√	√	√	√	√	√	√
Mr. Essa K. Essa Al-Saleh	Member	√	√	√	√	√	√	√
Mr. Faick Hussein Saleh	Member	√	√	√	√	√	√	√

Nomination and Remuneration Committee:

The N&R committee consists of three Board Members; all are non executive Board Members. On June 28th, 2011 the Annual General Meeting approved the criteria for choosing committee members, their tenure and the code of conduct.

The functions and responsibilities of the N and R committee are the following:

1. Nomination of BOD members to the BOD. This is done in accordance with the policies and procedures, taking into account not to nominate any person previously convicted of a crime involving moral turpitude and dishonesty.
2. Annual review of skills and competencies required for board membership and the preparation of job descriptions, including defining the time to be allocated as a board member.
3. Review the structure of the board and make recommendations regarding changes that can be made.
4. Identify weaknesses and strengths in the board, and propose recommendations that are in the interests of the company.
5. To ensure on an annual basis the independence of the independent members, and the absence of any conflict of interest if the member holds membership of the Board of Directors of another company.
6. Develop clear policies for the compensation and benefits of members of the Board of Directors and senior executives, and take into account when developing policies to use criteria linked to performance.

The table below Shows the Remuneration and Nominations Committee members and their attendance Register during 2011/2012:

Name	Capacity	1st meeting 29/5/2011	2nd meeting 19/3/2012	3rd meeting 20/3/2012
Mr.Faisal Hamad Mubarak Al-Ayyar	Chairman	√	√	√
Mr. Essa Khalid Essa Al-Saleh	Member	√	√	√
Mr. Suleiman Saud Jarallah Al-Jarallah	Member	√	√	√

Directors and Executive Management Remuneration:

Amounts in Saudi Riyals	Non-executive / independent Board members Six	Executive BOD Member one	Senior executives*
Salaries and wages	0	373,608	5,671,022
Allowances	0	209,271	2,160,993
Remunerations	1,200,000 (SR 200,000 per Member)	260,336	2,783,809
In-kind benefits	0	0	393,000
Total	1,200,000	843,215	11,008,824

*including the CEO and CFO

Board members' and Executive Management's Share ownership 2011/2012

	Name	Beginning of the year	End of the year	Change (+/-)		
		Shares	Debt	Shares	Debt	
	Board of Directors					
1	HH Sheikh. Hamad Sabah Al-Ahmad Rep: United Industries Company	9,784,213	0	9,784,213	0	=
2	Mr. Faick Hussain Al-Saleh	1,000	0	1,000	0	=
3	Mr. Faisal Mubarak Al-Ayyar Rep: United Gulf Bank	1,000	0	1,000	0	=
4	Mr. Abdullah Yaqoob Bisharah* Rep: Kuwait Projects Company	1,000	0	2,000	0	+
5	Mr. Essa Khalid Essa Al-Saleh Rep: United Industries Company	9,784,213	0	9,784,213	0	=
6	Mr. Suliman Saud Al-Jar Allah	1,000	0	1,000	0	=
7	Mr. Musaad Abdullah Al-Nassar	11,000	0	11,000	0	=
	Executive management & their families					
1	Wout Matthijs	3,000	0	3,000	0	=
2	Khalid Abdulrahman Bakhsh	0	0	0	0	=
3	Mohammed Jameel Attar	0	0	0	0	=
4	Ziyad Abdulaziz Kabli	0	0	0	0	=
5	Paul Van Schaik	0	0	0	0	=

* Mr.Bishara has acquired 1000 shares in his own name on May 24th 2011 this has been disclosed to the CMA as per their disclosure procedures.

Main Shareholders list:

#	Name	Ownership
1	United Industries Company	30.1%
2	Al-Sameh Trading Co. Ltd	11.6%
3	United Industries Company/ Swap Agreement	8.9%

With regard to notification of shareholders' ownership, referred to in article 30 of the listing rules, SADAFCO didn't receive notification from any of the major shareholders that stated changes in their ownership during 2011-2012; the above is based on Tadawul records.

Annual Review of the Effectiveness of the Internal Control Procedures:

During the financial year 2011/2012, the Audit Committee, in addition to performing its set tasks and responsibilities, were there to oversee all the reports submitted by "Price Waterhouse Coopers", which was appointed by the Board of Directors to report on the efficiency of SADAFCO's internal control procedures. In addition to developing a 3 year comprehensive plan to review all the company's functions the PWC team supports the internal audit team. The preliminary results of the report submitted by the above company have not revealed any substantial shortcomings in the internal control system and its integrity.

The SADAFCO Audit Committee is also responsible for continuously reviewing the robustness of the internal control systems and supervising the work of the internal auditors according to their assigned functions and responsibilities in accordance with what is enshrined in Article 14 of the corporate governance rules. The Audit committee and the Board of Directors place great emphasis on the application of internal control procedures across all the company operations, departments and functions in order to identify and evaluate risks that the company may face.

RELATED PARTY TRANSACTIONS:

The company entered into transactions with related parties under the same criteria used with other parties and under the best terms of trade. Related parties are defined as SADAFCO board members, major shareholders and senior executives or any of their first degree relatives, in line with the regulations and guidelines of the Capital Markets Authority and the Ministry of Commerce and Industry in this regard, which require disclosure of such transactions. Below is a summary of those related party transactions the Board recommends ratification and renewal for a another year by the AGM (on a case by case basis) as follows:

#	Description	Country	Relation	Nature of Transaction	Transaction size
1	Buruj Cooperative Insurance Company	Saudi Arabia	Affiliate	Contract amount of SR 7.9 million relating to general insurance services. In 2011 we received from them total claims of SR 14 million including the payment of SR12million compensation for damages to the SADAFCO buildings and depots in Jeddah during the flood.	SR 7.9 Million
2	Gulf Egypt Agriculture Investment & Food Industry Company	Egypt	Affiliate	In 2009 SADAFCO sold its full share in its subsidiary Arab Company for Animal Produce SAE, Egypt to Gulf Agriculture Investment & Food Industry for a consideration of SR 29.232 million to be settled in four installments. During the year the third installment of SR 6 million was received on the due date and the last installment is to be received in December 2012.	SR 29.232 Million
3	United Gulf Bank, Bahrain	Bahrain	Affiliate/ Board Member	Murabaha deposit as mentioned herewith below	SR 300 Million, has been renewed with SR 150 million as mentioned herewith below

SADAFCO maximizes the returns on its cash surpluses generated from its operations, on April 4th, 2011, a SR 150 million was placed with the United Gulf Bank in the Kingdom of Bahrain which is a related party; the Murabaha was due on March 29, 2012 and was receiving a return equal to 2.75% per annum. On April 7th, 2011 another Murabaha deposit amounting to SR 150 million was placed with the same bank maturing on July 6th, 2011 at a return equivalent to 2.75% per annum, the rate offered by UGB was the best rate available . These deposits have been disclosed in the preliminary financial results for the fourth quarter ended 31/03/2011 and published on TADAWUL website on 20/04/2011 and in local newspapers on 24/04/2011 and the same was announced on TADAWUL website on 22/05/2011 and 23/05/2011.

A further announcement on TADAWUL website was made on 09/07/2011 disclosing that SADAFCO had received on July 6, 2011 the full consideration of the first Murabaha deposit amounting to SR 150 million plus a return of SR 976,888 (nine hundred seventy six thousand eight hundred and eighty eight Saudi Riyals).

On 20/3/2012 the company announced on TADAWUL website that the Board of Directors decided (at its meeting held on Tuesday, 20/03/2012) to renew the SR 150 million Murabaha deposit (due back on March 29th 2012) with the United Gulf Bank in the Kingdom of Bahrain (related party) to increase the return on surplus cash.

The renewed Murabaha Deposit was placed on March 30, 2012 and at the following terms :

- SR 75 million at an annual rate of 3% maturing on July 9, 2012,
- SR 75 million at an annual rate of 3% maturing on March 27, 2013;

The BOD chairman and BOD member Mr. Faisal Al Ayyar, have both abstained from voting on this decision after : informing the Board that they are each a related party due to their Board memberships at United Gulf Bank, the remaining five Board members approved the renewal of the deposit with the United Gulf Bank, in accordance with the conditions as stated herein above , provided that this subject shall be presented to the next SADAFCO Shareholders meeting in line with regulations. The next Shareholders' meeting date will be determined and announced at a later date.

On 31/03/2012 the company announced on TADAWUL website that it has received the amount of SAR 4,124,969, which represents the return on the second Murabaha deposit amounting SR 150 million in the same bank, which was payable on March 29, 2012.

Dividend Distribution Policy:

Article 35 of Articles of Association states that annual net profits may be distributed after the deduction of all general expenses and other costs in the following way:

- 10 % of annual net profits are to be set aside for a statutory reserve. The general assembly may choose to stop this reserve once it is equal to half of the company's capital.
- The general assembly may suggest to the BOD another reserve where a further 10% of net profits may accumulate.
- There may be a distribution to the shareholders thereafter where a first payment /dividend equal to 5% of the paid up capital is payable.
- After the above distributions are made there may be an allocation of 10% of net profits to reward the BOD members, provided that the maximum allowed BOD compensation is in compliance with CMA rules and Ministry of the Commerce regulations.
- All remaining profits may then be distributed to shareholders as an extra dividend.
- Profits may then be distributed to shareholders as an extra dividend.

Major Decisions and Future Plans:

An announcement On TADAWUL dated 27th September 2011 disclosed the Board of Directors' decision to re-activate the Dammam Factory at the Board Meeting on the same date. The decision to reactivate the Dammam factory comes as an alternative to the UORP (to bring all the company's activities Under one Roof previously announced on 04/05/2010 and to increase production capacity to meet the needs of consumers. The Board has given the executive management the task of implementing the resolution. The Board has approved the capital expenditure of SR 22.5 Million from operating cash flows to re-operate the said factory. A previous announcement on 12/07/2006 had disclosed the cessation of operations at Dammam factory and relocation of its operation to Jeddah factory in a bid to develop and improve manufacturing and increase efficiencies. The Dammam reoperation is expected to be completed within 12 months of the announcement date.

Another development announced on TADAWUL on February 14th,2012 is the Board approval at its meeting held on Monday February 13th to build a Regional Distribution Centre in Riyadh on SADAFCO owned land. This will address the growing consumer demand for the company's products. The Board approved capital expenditure of SR 65 million Saudi Riyals from operational cash flows for this purpose, and instructed the Executive management to take necessary steps to implement this resolution. It is expected that the RRDC will be operational by the year 2014.

Risks:

In line with other companies operating in its industry SADAFCO faces some risks that are an integral part of operating a business, the risks identified are:

Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The company is subject to interest rate risk on its interest bearing bank deposits.

The management limits the company's interest rate risk by monitoring changes in interest rates in the currencies in which its interest bearing assets are denominated and uses interest rate swaps to strategically hedge its risk.

Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. At the balance sheet date, no significant concentrations of credit risk were identified by management.

Liquidity risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. The company limits its liquidity risk by ensuring that sufficient bank facilities are available.

The Company's financial liabilities primarily consist of accounts, payable to affiliates and shareholders, accruals and other liabilities and unpaid dividends. All these financial liabilities are expected to be settled within 12 months from the date of the balance sheet and the company expects to have adequate liquid funds to do so.

Currency risk: Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company is subject to fluctuations in foreign exchange rates in the normal course of its business. The company did not undertake significant transactions in currencies other than Saudi Arabian Riyals, US Dollars and Euros. The company seeks to limit its currency risk by monitoring outstanding exposure.

For more information regarding these risks and ways of management, please refer to the notes of financial statements.

Fines imposed on SADAFCO:

A fine of SAR 50,000 was imposed on 21st August , 2011 for violating article 46A of the Corporate Governance Rules and Regulation and article 25 of the Listing Rules; Since SADAFCO was late in disclosing to the CMA and the public its placement of Murabaha deposit of SR300 million with United Gulf Bank, Bahrain (Related Party Transaction).'

Declarations:

1. SADAFCO declares and confirms that its accounts have been prepared according to the correct procedures for the Kingdom of Saudi Arabia.
2. SADAFCO declares that the internal auditing has been prepared on a sound basis and has been implemented effectively
3. SADAFCO declares that there is no doubt about its ability to continue its operations
4. There are no outstanding loans or dues on the company
5. The company is fully committed to adhere to the rules and regulations stipulated in the companies' bylaws and ministerial resolutions.

6. None of the BOD members and senior management including the CEO and CFO has any shares in the affiliate companies; and no contracts were issued where any of them has a material interest except what was already disclosed in the related party transactions section of this Annual Report.
7. No loans were extended to any BOD member
8. No shareholder waived their right to dividends and no senior manger waived his right to receive any salary or compensation
9. All the shares are common stock with equal voting power.
10. After the financial statement was reviewed and audited by KPMG Fozan and Sadhan, it was confirmed that SADAFCO's accounts were compiled in line with the accounting standards of the Accounting Standards Committee of the Saudi Organization for Certified Public Accountants (SOCPA). The external Auditors report was revealed without reservation. The financial statements were found to be a true and fair reflection of the company's financial position and in compliance with the requirements of the companies' law and SADAFCO's articles of association.
11. The company does not implement any stock options and doesn't have any debt instrument that is convertible to a stock.
12. SADAFCO has not set up any investments or reserves for the benefit of its employees.

Corporate Governance Compliance:

#	Article	#	Fully implemented	Partially Implemented	Not Applied	Not applicable	Explanation
1	Three: General Rights of Shareholders	1	-	1	-	-	Not stipulated in the Articles of Association
2	Four: Facilitation of shareholders Exercise of rights and access to information	2	2				
3	Five: Shareholders right related to the General Assembly	10	10	-	-	-	
4	Six: Voting Rights	4	2	-	1	1	6/B Accumulative Voting is not in the Articles of association 6/D only applicable to investors in a judicial role whom are acting on others behalf
5	Seven: Dividends rights of Shareholders	2	1	-	1	-	7/A SADAFCO applies the dividend distribution policy set out in its Articles of Association
6	Eight: Policies and Procedures for Disclosure	1	-	-	1	-	SADFAFCO follows applicable CMA guidance, rules and regulations
7	Nine: disclosure in the Board of Directors' report	7	7				

8	Ten: Main Functions of the Board of Directors	17	9	2	6	-	1/a partially implemented since risk policy has not been completed 10/H/4 partially implemented; Board has approved a separate policy for Code of Ethics Not implemented 1/J SADAFCO adheres to the CMA CG regulations 2/D SADAFCO follows Articles of Association and Ministerial decrees 3/H 1,2,3,5 These relationships are goverened by contracts regulating each separately. 4/w SADAFCO complies with all CMA Listing Rules
9	Eleven: Responsibilities of the Board	8	7	-	1	-	11/H the responsibilities and authorities of each executive team member are defined in their respective job description and employment contracts.
10	Twelve: Formation of the Board	9	7	-	1	1	12/H not implemented this has since been addressed with the new BOD formation at the elections held at AGM 28/06/2011, there are now 3 Independent Board members in the new cycle. 12/T Not applicable since the Article of Association has not allowed for judicial person to appoint representatives on the SADAFCO Board.
11	Thirteen: Board Committees	3	3	-	-	-	
12	Fourteen: Audit Committee	11	11	-	-	-	
13	Fifteen: Nomination and Remuneration Committee	8	8				
14	Sixteen: Meetings of the Board	4	4				
15	Seventeen: Remuneration and Indemnification of Board Members	1	1				
16	Eighteen: Conflict of Interest within the Board	3	2	-	1	-	18/a Announcement was made on TADAWUL regarding the deposit with UGB bank (related party) and a detailed explanation was made in the Annual report for 2011/12 the transaction will be presented to the next shareholder's meeting for their approval.
	Total	**91**	**74**	**3**	**12**	**2**	

The Board of Directors of SADAFCO extends its thanks and appreciation to the Custodian of the Two Holy Mosques and his Crown Prince for their continuous support and backing of national industries.

Thanks are also extended to the Government of the Custodian of the Two Holy mosques for its continued support of the companies in Saudi private sector.

The board of directors takes this opportunity to thank shareholders for their trust and support of SADAFCO, customers and consumers for their trust and loyalty.

Thanks are also due to the company's management and all its employees for their dedicated efforts and distinguished performance through the fiscal year 2011/12, which contributed to the achievement of this year's results.

The Board looks forward to more achievements and excellence throughout the next year.

Best Regards

SADAFCO Board of Directors

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

CONSOLIDATED FINANCIAL STATEMENTS
31 March 2012
with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

The Shareholders
Saudia Dairy & Foodstuff Company (SADAFCO)
Jeddah, Kingdom of Saudi Arabia.

We have audited the accompanying consolidated financial statements of Saudia Dairy & Foodstuff Company (SADAFCO) ("the Company") and its subsidiaries (collectively referred as "the Group") which comprise the consolidated balance sheet as at 31 March 2012 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 24 which form an integral part of the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 123 of the Regulations for Companies and the Company's Articles of Association 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. Management has provided us with all the information and explanations that we require relating to our audit of these financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Opinion

In our opinion, the consolidated financial statements taken as a whole:

1) present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2012, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and

2) comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

For KPMG Al Fozan & Al Sadhan

Ebrahim Oboud Baeshen
License No. 382

3 Rajab 1433H
Corresponding to 24 May 2012

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

CONSOLIDATED BALANCE SHEET
As at 31 March 2012

	Notes	2012 (SR '000)	2011 (SR '000)
ASSETS			
Current assets:			
Cash and cash equivalent	4	**51,711**	337,868
Term deposits with banks	5	**150,000**	--
Accounts receivable	6	**290,482**	228,573
Deposits and prepayments	7	**18,269**	23,494
Inventories	8	**253,105**	208,049
Assets relating to a subsidiary held for disposal	11	**9,342**	8,405
Total current assets		**772,909**	806,389
Non-current assets:			
Other investments	9	**243**	243
Property, plant and equipment	10	**322,651**	267,652
Total non-current assets		**322,894**	267,895
Total assets		**1,095,803**	1,074,284
LIABILITIES AND EQUITY			
Current liabilities:			
Accounts payable		**120,822**	127,735
Payable to affiliates	18	**4,638**	2,939
Accruals and other current liabilities		**77,799**	103,537
Accrued Zakat	17	**14,497**	17,281
Unpaid dividend		**596**	1,844
Liabilities relating to a subsidiary held for disposal	11	**19,862**	18,281
Total current liabilities		**238,214**	271,617
Non-current liabilities:			
Employees' end of service benefits		**73,042**	71,683
Total liabilities		**311,256**	343,300
Equity:			
Equity attributable to the Company's shareholders:			
Capital	12	**325,000**	325,000
Statutory reserve	12	**162,500**	153,698
Voluntary reserve	12	**78,080**	62,892
Foreign currency translation adjustments	12	**(1,650)**	(1,916)
Retained earnings		**219,379**	190,391
Total shareholders' equity		**783,309**	730,065
Non-controlling interest		**1,238**	919
Total equity		**784,547**	730,984
Total liabilities and equity		**1,095,803**	1,074,284

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar Member Board of Directors	Matthijs Waltherus Cornelis Petrus Chief Executive Officer	Khaled A. Bakhsh Chief Financial Officer

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

CONSOLIDATED STATEMENT OF INCOME
For the year ended 31 March 2012

	Note	For the year ended 31 March 2012 (SR '000)	2011 (SR '000)
Continuing operations:			
Sales - net		**1,335,685**	1,134,413
Cost of sales		**(920,362)**	(766,288)
Gross profit		**415,323**	368,125
Expenses:			
Selling and distribution	13	**(203,034)**	(189,221)
General and administrative	14	**(58,449)**	(53,181)
Total expenses		**(261,483)**	(242,402)
Operating income		**153,840**	125,723
Investment income - net		--	16,072
Other income - net		**5,506**	5,230
Financial charges - net		**4,902**	(827)
Net income from continuing operations before non controlling interests and Zakat		**164,248**	146,198
Discontinuing operations:			
Net loss from discontinuing operations	11	**(214)**	(2,488)
Net income before Zakat		**164,034**	143,710
Zakat	17(a)	**(11,754)**	(13,797)
Net income		**152,280**	129,913
Attributable to:			
Equity shareholders of the Parent		**151,878**	129,541
Non controlling interest		**402**	372
Net income		**152,280**	129,913
Earnings per share:			
- on operating income - SR	19	**4.73**	3.87
- on net income after Zakat - SR	19	**4.69**	4.00
- on net income attributable to equity shareholders of the Parent - SR	19	**4.67**	3.99

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar Member Board of Directors	Matthijs Waltherus Cornelis Petrus Chief Executive Officer	Khaled A. Bakhsh Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2012

	2012 (SR '000)	2011 (SR '000)
Operating activities:		
Net income	**152,280**	129,913
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	**40,899**	39,541
Non controlling interests	**(83)**	(8)
Gain on disposal of property, plant and equipment	**(322)**	(455)
Employees' end of service benefit	**8,488**	8,989
Unrealised (gain) on available for sale investments	**--**	(15,587)
Changes in operating assets and liabilities:		
Increase in accounts receivable	**(61,909)**	(58,298)
Decrease/(increase) in deposits and prepayments	**5,225**	(7,579)
Increase in inventories	**(45,056)**	(58,994)
(Decrease)/increase in accounts payable	**(6,913)**	53,338
Increase/(decrease) in payable to affiliates	**1,699**	(2,408)
Decrease in accrued Zakat, accruals and other current liabilities	**(31,170)**	(8,985)
Employees' end of service benefits paid	**(7,129)**	(6,483)
Total adjustments	**(96,271)**	(56,929)
Net cash from operating activities	**56,009**	72,984
Investing activities:		
Changes in net assets directly associated with a subsidiary held for disposal	**644**	1,949
Murabaha deposit	**(150,000)**	--
Sale proceeds from sale of investment	**--**	56,428
Sale proceeds of property, plant and equipment	**348**	508
Purchases of property, plant and equipment	**(95,924)**	(68,210)
Net cash used in investing activities	**(244,932)**	(9,325)
Financing activities:		
Dividend paid	**(97,500)**	(48,750)
Net change in cash and cash equivalents	**(286,423)**	14,909
Effect of exchange rate fluctuations on cash and cash equivalents	**266**	(308)
Cash and cash equivalents at the beginning of the year	**337,868**	323,267
Cash and cash equivalents at the end of the year	**51,711**	337,868

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar Member Board of Directors	Matthijs Waltherus Cornelis Petrus Chief Executive Officer	Khaled A. Bakhsh Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2012

	Attributable to Equity Shareholders of the Parent								
	Capital (SR '000)	Statutory reserve (SR '000)	Voluntary reserve (SR '000)	Foreign currency translation adjustments (SR '000)	Unrealised gain on available for sale investment (SR '000)	Retained earnings (SR '000)	**Total** (SR '000)	Non controlling interests (SR '000)	**Total equity** (SR '000)
Balance at 1 April 2011	325,000	153,698	62,892	(1,916)	--	190,391	**730,065**	919	**730,984**
Net income	--	--	--	--	--	151,878	**151,878**	402	**152,280**
Dividend declared	--	--	--	--	--	(97,500)	**(97,500)**	--	**(97,500)**
Transfer to reserves	--	8,802	15,188	--	--	(23,990)	**--**	--	**--**
Board of directors' remuneration (Note 18 (c))	--	--	--	--	--	(1,400)	**(1,400)**	--	**(1,400)**
Foreign currency translation adjustments	--	--	--	266	--	--	**266**	(83)	**183**
Balance at 31 March 2012	**325,000**	**162,500**	**78,080**	**(1,650)**	**--**	**219,379**	**783,309**	**1,238**	**784,547**
Balance at 1 April 2010	325,000	140,744	49,938	(1,607)	15,587	136,908	**666,570**	555	**667,125**
Net income	--	--	--	--	--	129,541	**129,541**	372	**129,913**
Dividend declared	--	--	--	--	--	(48,750)	**(48,750)**	--	**(48,750)**
Transfer to reserves	--	12,954	12,954	--	--	(25,908)	**--**	--	**--**
Realised gain relating to shares sold during the year	--	--	--	--	(15,587)	--	**(15,587)**	--	**(15,587)**
Board of directors' remuneration (Note 18 (c))	--	--	--	--	--	(1,400)	**(1,400)**	--	**(1,400)**
Foreign currency translation adjustments	--	--	--	(309)	--	--	**(309)**	(8)	**(317)**
Balance at 31 March 2011	325,000	153,698	62,892	(1,916)	--	190,391	730,065	919	730,984

The accompanying notes 1 to 24 form an integral part of these consolidated financial statements.

Mussad Abdullah Al Nassar
Member Board of Directors

Matthijs Waltherus Cornelis Petrus
Chief Executive Officer

Khaled A. Bakhsh
Chief Financial Officer

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

(a) Saudia Dairy and Foodstuff Company (SADAFCO) ("the Company") is a Joint Stock Company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030009917 dated 21 Rabi Al-Akhar 1396H corresponding to 21 April 1976. The Company and its subsidiaries (listed in Note 1(b)), collectively described as the Group in these consolidated financial statements, are primarily engaged in the production and distribution of dairy products, beverages and various foodstuff in Kingdom of Saudi Arabia and certain Gulf and Arab countries.

(b) At 31 March 2012, the Company had investments in the following subsidiaries:

Name	Principal activities	Country of incorporation	SADAFCO's beneficial interest
SADAFCO Foodstuff Company LLC ^	Foodstuff and dairy products	United Arab Emirates (UAE)	100%
SADAFCO Bahrain Company, LLC ^	Foodstuff and dairy products	Bahrain	100%
SADAFCO Jordan Foodstuff Company LLC	Foodstuff and dairy products	Jordan	100%
SADAFCO Qatar Company	Foodstuff and dairy products	Qatar	75%
National Buildings Real Estate Company*^	Real Estate	Kingdom of Saudi Arabia	100%
United Gulfers Logistics Company*^	Logistics	Kingdom of Saudi Arabia	100%
National Sight Holding Company*^	Investment Company	Kingdom of Saudi Arabia	100%

*The above subsidiaries have not yet commenced their operations.

^ Part of the investments are beneficially held through parties nominated by the Company.

Other subsidiaries:

- Arab Company for Animal Produce SAE, Egypt (see note 9b)
- Swiss Premium Foods Company SAE, Egypt (see note 11)

Part of the Company's investments in SADAFCO Foodstuff Company LLC, UAE and SADAFCO Bahrain Company, WLL, Bahrain are beneficially held by the Company through parties nominated by the Company.

Mussad Abdullah Al Nassar	Matthijs Waltherus Cornelis Petrus	Khaled A. Bakhsh
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

(b) Basis of measurement

These consolidated financial statements have been prepared on historical cost basis, except for investment and derivative financial instruments that have been measured at fair value, using the accrual basis of accounting and the going concern concept.

(c) Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency. All financial information presented in SR has been rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Significant areas where management has used estimates, assumptions or exercised judgements are as follows:

(i) Impairment of available for sale investments

The Group exercises judgement to consider the impairment of available for sale investments as well as their underlying assets. This includes the assessment of objective evidence which causes other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of equity investment below its cost is considered as objective evidence for the impairment. The determination of what is 'significant' and 'prolonged' requires judgement. The Group also considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Mussad Abdullah Al Nassar Member Board of Directors	Matthijs Waltherus Cornelis Petrus Chief Executive Officer	Khaled A. Bakhsh Chief Financial Officer

2. BASIS OF PREPARATION (Continued)

(d) Use of estimates and judgments (continued)

(ii) Impairment of non-financial assets

The Group assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.

(iii) Provision for impairment of trade receivables

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered as indicators that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

(iv) Provision for slow moving inventory items

The Group makes a provision for slow moving inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year.

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3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been consistently applied by the management of the Group:

(a) Basis of consolidation

These consolidated financial statements include the consolidated financial statements of the Company and its subsidiaries set forth in note 1 above.

(b) Investments in subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date the control commences until the date the control ceases.

All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries are eliminated in preparing these consolidated financial statements. Also, any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidation.

The attributable equity interest of third parties in the Group is included under the non controlling interest caption in these consolidated financial statements.

(c) Account receivables

Account receivables are stated at original invoice amount less provisions made for amounts which in the opinion of the management may not be received. Bad debts are written off when identified.

(d) Inventories

Inventories are valued at the lower of cost (determined principally by using the standard cost method but adjusted to approximate the respective actual cost) and net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Available for sale investments

Investments which are neither bought with the intention of being held to maturity nor for trading purposes are classified as available for sale and are stated at fair value and included under current assets unless they are not intended to be sold in the next fiscal year. Changes in the fair value are credited or charged to the consolidated statement of changes in shareholders' equity. However, any no-temporary decline in value is charged to the consolidated statement of income. Fair value is determined by reference to the market value.

Dividend income is recognised when the right to receive the dividend is established.

(f) Property, plant and equipment and depreciation

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the consolidated statement of income when incurred.

Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of individual item of property, plant and equipment.

The depreciation rates determined on the basis of estimated useful lives of assets for current and comparative periods are as follows:

	%
Buildings	2.5-10
Machinery and equipment	10-33
Vehicles and trailers	15-25
Furniture, fixtures and office equipment	10-25

(g) Zakat and income tax

The Company and its Saudi Arabian subsidiaries are subject to Zakat and income-tax in accordance with the regulations of the Department of Zakat and Income Tax ("DZIT"). The foreign subsidiaries are subject to tax regulations in their respective countries of incorporation. Zakat and income tax are charged to consolidated statement of income.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Provisions

A provision is recognized if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit, will be required to settle the obligation.

(i) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with labour regulations of the countries of incorporation of the Group member companies, are accrued and charged to consolidated statement of income.

(j) Expenses

Selling and distribution expenses are those arising from the Group's efforts underlying their marketing, selling and distribution functions. All other expenses are classified as general and administrative expenses.

(k) Operating lease payments

Payments under operating leases are recognized in the consolidated statement of income on a straight-line basis over the terms of the lease.

(l) Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to Saudi Arabian Riyals (for Parent Company) or the relevant currencies (for subsidiaries) at the exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the consolidated statement of income.

Exchange differences, arising from the translation of foreign currency financial statements of subsidiaries are allocated to the shareholders of the Parent Company and non controlling shareholders in proportion to their ownership interests in the investee companies. SADAFCO's share in exchange differences is recorded as a separate component of consolidated shareholders' equity, whereas amounts relating to the non controlling shareholders are included under non controlling interest in the consolidated balance sheet.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Derivative financial instruments

The Company uses interest rate swaps to strategically hedge its risk against interest rate movements and thus hedge accounting is not followed. The interest rate swaps are included in the consolidated balance sheet at fair value and any resultant gain or loss is recognized in the consolidated statement of income. The fair values of interest rate swaps are included in "other receivables" in case of favourable contracts and "other payables" in case of unfavourable contracts.

(n) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, current accounts with banks, funds placed for investment and short-term bank deposits having an original maturity within 90 days.

4. CASH AND CASH EQUIVALENT

Cash and bank balances at 31 March comprise the following:

	2012 (SR '000)	2011 (SR '000)
Cash and cheques in hand	**10,612**	12,830
Balances with banks – current account	**41,099**	325,038
	51,711	337,868

5. TERM DEPOSITS WITH BANK

During the period ended 30 June 2011, the Company had placed SR 300 million as a Murabaha term deposits with United Gulf Bank, Bahrain, a related party at commercial terms (SR 150 million for a period of three months, which was fully received during the quarter ended 30 September 2011 and the balance SR 150 million matured on 29 March 2012). On 30 March 2012, the Company has renewed the terms of the Murabaha deposit amounting to SR 150 million with SR 75 million maturing on 9 July 2012 and the remaining SR 75 million maturing on 27 March 2013.

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6. ACCOUNTS RECEIVABLE

Accounts receivable at 31 March comprise the following:

	2012 (SR '000)	2011 (SR '000)
Accounts receivable	**165,251**	168,475
Less: Provision for doubtful accounts	**(15,362)**	(14,861)
Net accounts receivable	**149,889**	153,614
Advances and other receivables	**134,875**	62,754
Less: Provision for doubtful accounts	**(2,357)**	(1,995)
Net advances and other receivables	**132,518**	60,759
Related parties (Note 18)	**8,075**	14,200
	290,482	228,573

Movement in the provision for doubtful accounts receivable is as follows:

	2012 (SR '000)	2011 (SR '000)
Balance at the beginning of the year	**16,856**	15,317
Charge for the year	**863**	1,539
Balance at the end of the year	**17,719**	16,856

7. DEPOSITS AND PREPAYMENTS

Deposits and prepayments at 31 March 2012 include a sum of SR 1,147 thousand (2011: SR 1,245 thousand) representing margin deposits with the banks against guarantees issued by the Group's bankers.

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8. INVENTORIES

Inventories at 31 March comprise the following:

	2012 (SR'000)	2011 (SR'000)
Raw and packing materials	**116,106**	67,288
Finished goods	**77,812**	43,847
Spare parts, supplies and other items	**18,062**	16,684
Goods-in-transit	**50,347**	91,010
	262,327	218,829
Less: Provision for slow moving inventory	**(9,222)**	(10,780)
	253,105	208,049

9. OTHER INVESTMENTS

(a) Other investments at 31 March comprise the following:

	2012 (SR'000)	2011 (SR'000)
Investments available for sale (unquoted)	**1,336**	1,336
Less: Provision for non-temporary decline in value	**(1,093)**	(1,093)
	243	243

(b) During the year ended 31 March 2009, the Company sold its 89.3% holding in its subsidiary, Arab Company for Animal Produce SAE, Egypt (ACFAP) to Gulf Egypt Agriculture Investment and Food Industry (GEAIF), for a consideration of LE 42,800 thousands (equivalent to SR 29,232 thousands) which will be received in five instalments. As per the sale agreement, the first instalment of LE 12,000 thousand was due on 28 December 2008 and the remaining amount of LE 30,800 thousand is due in 4 equal annual instalments commencing from 28 December 2009 and concluding on 28 December 2012.

As at 31 March 2012, the Company has a receivable of SR 4,767 thousands (LE: 7,700 thousands) against sale of investments under the agreement.

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10. PROPERTY, PLANT AND EQUIPMENT

(a) The movement in property, plant and equipment for the year ended 31 March, 2012 is analysed as follows:

	Land and buildings (SR'000)	Machinery and equipment (SR'000)	Vehicles and trailers (SR'000)	Furniture, fixtures and office equipment (SR'000)	Capital work-in-progress (SR'000)	Total (SR'000)
Cost :						
Balance at April 1, 2011	232,397	565,330	160,070	61,892	18,356	1,038,045
Additions during the year	810	3,861	1,143	1,460	88,650	95,924
Disposals during the year	(724)	(428)	(361)	(15)	--	(1,528)
Transfers from capital work-in-progress	4,475	37,962	23,620	--	(66,057)	--
Effect of fluctuations in foreign exchange rates	2	--	--	3	--	5
Balance at March 31, 2012	236,960	606,725	184,472	63,340	40,949	1,132,446
Accumulated depreciation:						
Balance at April 1, 2011	148,132	453,626	120,882	47,753	--	770,393
Charge for the year	5,224	23,288	9,211	3,176	--	40,899
Disposals	(528)	(156)	(804)	(14)	--	(1,502)
Effect of fluctuations in foreign exchange rates	3	2	--	--	--	5
Balance at March 31, 2012	152,831	476,760	129,289	50,915	--	809,795
Net book amounts:						
At 31 March 2012	**84,129**	**129,965**	**55,183**	**12,425**	**40,949**	**322,651**
At 31 March 2011	84,265	111,704	39,188	14,139	18,356	267,652

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10. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2012 (SR'000)	2011 (SR'000)
Cost of sales	**20,465**	23,415
Selling and distribution expenses (note 13)	**18,937**	15,479
General and administrative expenses (note 14)	**1,496**	647
	40,898	39,541

(c) The ownership interest of the Company in certain freehold land held in Madinah and Riyadh amounting to SR 1,538 thousand (2011: SR 6,183 thousand) is through certain shareholders of the Company.

(d) During the year ended 31 March 2008, the Company sold a plot of land having a cost of SR 4,645 thousand to Kuwait Real Estate Company Limited (the "Buyer"), a related party, for SR 20,000 thousand, resulting in a gain of SR 15,355 thousand. As the completion of legal formalities for the transfer of land were delayed, both parties mutually agreed to revoke the contract in respect of sale of land on 1 February 2010. During the year ended 31 March 2010, the management recorded a full provision for impairment against the carrying amount of land of SR 4,645 thousand, due to the uncertainties arising from the revocation of the sale contract. During the year ended 31 March 2012, the land has been transferred in the name of the Company, therefore the provision for impairment of SR4,645 thousand has been credited to the statement of income as the uncertainties relating to future disposal of land do not exist anymore.

(e) During the year, the Board of Directors have resolved to restart SADAFCO's Dammam factory to expand production capacity to meet future consumer demand. Further the company expects to commence partial operations from July 2012.

11. DISCONTINUING OPERATIONS (SUBSIDIARY HELD FOR DISPOSAL)

Swiss Premium Foods Company SAE, Egypt (SPF), a subsidiary of SADAFCO, was engaged in manufacturing and production of ice cream products. During the year ended 31 March 2009, SADAFCO decided to sell its beneficial interest of 96.3% in SPF and consequently at 31 March 2009 SPF was classified as a subsidiary held for disposal. On 7 October 2009, the shareholders of SPF decided to liquidate the Company. On 31 December 2009, the Ministry of Commerce in Egypt notified the Company as 'under liquidation'.

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11. DISCONTINUING OPERATIONS (SUBSIDIARY HELD FOR DISPOSAL) (continued)

Under the liquidation process, an agreement has been finalised for sale of all SPF's assets, for which an advance payment of SR 5,311 thousands (LE: 8,600 thousands) has been received. As at 31 March 2012, the legal formalities relating to the sale agreement are still in progress.

The results of the subsidiary held for disposal, for the year ended 31 March, are presented below:

	For the year ended 31 March	
	2012 (SR '000)	2011 (SR '000)
Expenses and net loss from discontinuing operations	**(214)**	(2,488)

The major classes of asset and liabilities of SPF classified as held for disposal, as at 31 March, are as follows:

	2012 (SR '000)	2011 (SR '000)
Assets:		
Property, plant and equipment	**4,585**	4,585
Receivables	**99**	101
Others	**4,658**	3,719
Assets classified as held for disposal	**9,342**	8,405
Liabilities:		
Payables	**13,009**	13,178
Accrued liabilities	**6,853**	5,103
Liabilities classified as held for disposal	**19,862**	18,281
Net liabilities directly associated with subsidiary held for disposal	**(10,520)**	(9,876)

12. SHAREHOLDERS' EQUITY

(a) Capital

The capital of the Company is SR 325,000,000 divided into 32,500,000 shares of SR 10 each, which is fully paid.

(b) Statutory reserve

In accordance with Article 125 of the Saudi Arabian Regulations for Companies, the Company is required to transfer at least ten percent of net income to a statutory reserve until such reserve equals fifty percent of paid-up capital. This reserve is not available for distribution.

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12. SHAREHOLDERS' EQUITY (continued)

(c) Voluntary reserve

The shareholders have decided to create a voluntary reserve by transfer of ten percent of the annual income to the reserve. The utilization of this reserve is at the discretion of the shareholders. In the current year, transfer has been made to the voluntary reserve, subject to the final approval at the Annual General Meeting.

(d) Foreign currency translation adjustments

Foreign currency translation adjustments comprise SADAFCO's share in foreign exchange differences arising from the translation of the foreign currency financial statements of the consolidated subsidiaries.

13. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses for the years ended 31 March comprise the following:

	2012 (SR'000)	2011 (SR'000)
Employee costs	**72,458**	66,939
Advertising and sales promotion	**86,043**	78,871
Depreciation (note 10c)	**18,937**	15,479
Repairs and maintenance costs	**7,782**	8,262
Insurance	**4,352**	3,580
Rent	**1,608**	1,536
Communication	**1,363**	2,621
Travel and other expenses	**2,664**	3,378
Others	**7,827**	8,555
	203,034	189,221

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14. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the years ended 31 March comprise the following:

	2012 (SR'000)	2011 (SR'000)
Employee costs	**42,858**	40,873
Depreciation (note 10c)	**1,496**	647
Consultancy	**3,916**	4,231
Travel and other expenses	**3,778**	2,743
Others	**6,401**	4,687
	58,449	53,181

15. OPERATING LEASES

SADAFCO and its subsidiaries have certain warehouses and sales depots under operating leases extending for a period of more than one year. Most of these leases are for an initial period of five years with an option to renew the leases after that date. Lease payments are negotiated annually to reflect market rates.

At 31 March, operating lease rental obligations are payable as follows:

	2012 (SR'000)	2011 (SR'000)
Not later than one year	**2,281**	1,252
Later than one year but not later than five years	**3,329**	4,936
Later than five years	**747**	887
	6,357	7,075

16. COMMITMENTS AND CONTINGENCIES

(a) At 31 March 2012, SADAFCO and its subsidiaries have outstanding commitments for future capital expenditures amounting to SR 46,117 thousand (2011: SR 10,641 thousand).

(b) A s at 31 March 2012, SADAFCO and its subsidiaries has a contingent liability of SR 13,232 thousand (2011: SR 13,162 thousand) in respect of guarantees issued by the Company's bankers on behalf of its consolidated subsidiaries and affiliates, as well as for guarantees issued to the Department of Zakat and Income Tax (Note 17).

(c) A t 31 March 2012, the Company had outstanding interest rate swap contracts with a notional amount of SR 100,000 thousand (2011: SR 100,000 thousand) and negative fair value of SR 3,306 thousand (2011: SR 6,245 thousand negative). The interest rate swap contracts will mature by March 2013.

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17. ZAKAT

(a) Charge for the year

Zakat charge for the years ended 31 March, comprise the following:

	2012 (SR'000)	2011 (SR'000)
Charge for the year	**11,754**	13,797

(b) Zakat charge for the year ended 31 March relating to SADAFCO has been calculated on the Zakat base, the significant components of which are as follows:

	2012 (SR'000)	2011 (SR'000)
Capital	**325,000**	325,000
Adjusted net income	**164,717**	133,958
Adjusted reserves, provisions and others at the beginning of the year	**420,333**	385,644
Deduction for long-term assets	**(331,942)**	(292,712)
Deduction for investments	**(18,376)**	--
	559,732	551,890

(c) Accrued Zakat

The movement in accrued Zakat during the years ended 31 March is as follows:

	2012 (SR'000)	2011 (SR'000)
Balance at beginning of the year	**17,281**	16,305
Payments during the year	**(14,538)**	(12,821)
Charge for the year	**11,754**	13,797
Balance at end of the year	**14,497**	17,281

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17. ZAKAT (continued)

(d) Status of zakat assessments

Zakat assessments for the years up to and including 1996 have been finalised with the Department of Zakat and Income Tax (DZIT).

The DZIT raised final assessments for the years 1997 through 2002 with an additional Zakat liability of SR 8,254 thousand. The Company's appeal against the Higher Appeal Committee (HAC) decision is awaiting review by the Board of Grievances (BOG).

The DZIT has raised assessments for the years ended March 31, 2003 and 2004 with an additional Zakat liability of SR 5,135 thousand. SADAFCO has filed an appeal with BOG against HAC's decision.

The DZIT raised assessments for the years ended 31 March 2005 through 31 March 2007 with an additional Zakat liability of SR 6,381 thousand. The Company has filed an appeal with the Preliminary Appeal Committee (PAC) against these assessments.

Assessments for the years ended 31 March 2008 through 31 March 2011 have not been raised by the DZIT.

The management believes that the ultimate appeal decision for the disallowed items shall be in the favour of the Company therefore no additional provision required.

SADAFCO has obtained final Zakat certificate up to the financial years ended 31 March 2002 by providing a bank guarantee to the DZIT, amounting to SR 7,765 thousand for the Zakat assessments relating to financial years 1997 through 2002. Another bank guarantee amounting to SR 5,382 thousand has been submitted with the DZIT in respect of revised liability as per the PAC decision for the years 2003 and 2004.

18. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Transactions with related parties were undertaken in the ordinary course of business at commercial terms and were approved by the management.

(b) In addition to the disclosures set out in notes 1(b), 5, 6, 9(b) , 10(d) and 11, significant related party transactions for the period ended 31 March 2012 and balances arising there from are described as under:

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18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions with	Nature of transaction	Amount of transactions		Closing balance Receivable/(Payable)	
		2012	2011	**2012**	2011
		(SR '0 00)	(SR '000)	(SR '000)	(SR '000)
Affiliates	Purchases of goods and services*	**(7,955)**	(6,447)	**(4,638)**	(2,939)
	Net settlement against purchase of goods and services*	**6,256**	5,854	**--**	--
				(4,638)	(2,939)
Affiliates	Advance payment account	**(41)**	41	**--**	41
Affiliates	Current account	**(37)**	(1,642)	**3,308**	3,345
Affiliates	Sale of subsidiary	**(6,047)**	(5,025)	**4,767**	10,814
				8,075	14,200

*These transactions mainly represent the insurance premium paid to Buruj Cooperative Insurance Company.

(c) Board of Directors' remuneration amounting to SR 1,400 thousand (2011: SR 1,400 thousand), is calculated in accordance with Article 35-4 of the Company's Articles of Association, is considered as an appropriation and is shown in the statement of changes in shareholders' equity

19. EARNINGS PER SHARE

Earnings per share on operating income are calculated by dividing the operating income by the weighted average number of ordinary shares in issue during the year.

Earnings per share on net income are calculated by dividing the net income by the weighted average number of ordinary shares in issue during the year.

Earnings per share attributable to equity holders of the Parent are calculated by dividing the net income attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year.

The weighted average number of ordinary shares outstanding during the year ended 31 March 2012 was 32.5 million (31 March 2011: 32.5 million) shares of SR 10 each. The calculation of diluted earnings per share is not applicable to the Company.

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20. DIVIDEND

In the Annual General Meeting of the Company held on June 28, 2011, the shareholders authorised a final dividend of Saudi Riyals 3 per share amounting to SR 97,500 thousand, which was appropriated from the retained earnings and paid during the year ended 31 March 2012.

21. RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

a) Market risk (which includes commission rate and currency risk)
b) Credit risk
c) Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Senior management are responsible for developing and monitoring the Company's risk management policies and report regularly to the Board of Directors on their activities.

Interest rate risk
Interest rate risk arises from the possibility that changes in interest rates will affect future profitability or the fair values of financial instruments. The Group is subject to interest rate risk on its interest bearing bank deposits.

The management limits the Group's interest rate risk by monitoring changes in interest rates in the currencies in which its interest bearing assets are denominated and uses interest rate swaps to strategically hedge its risk.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables. Further the Company has exposure to credit risk with respect to term and other deposits with banks. The Company manages this risk by depositing and investing in banks with sound credit ratings. At the balance sheet date, no significant concentrations of credit risk were identified by management.

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21. RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial liabilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any commitments as they arise. The Group limits its liquidity risk by ensuring that sufficient bank facilities are available.

The Company's financial liabilities primarily consist of accounts payable, payable to affiliates and shareholders, accruals and other liabilities and unpaid dividend. All these financial liabilities are expected to be settled within 12 months from the date of the balance sheet and the Group expects to have adequate liquid funds to do so.

Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group did not undertake significant transactions in currencies other than Saudi Arabian Riyals, US Dollars and Egyptian Pounds during the year. The Group seeks to limit its currency risk by monitoring outstanding exposure.

Trade accounts payable include an amount of SR 28,784 thousand (2011: SR 22,399 thousand) due in foreign currencies, mainly in US Dollars.

22. FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. The Group's financial assets consist of cash and bank balances, available-for-sale investments and receivables, its financial liabilities consist of accounts payable, payable to affiliates and shareholders, other liabilities and unpaid dividend, and its derivatives consist of interest rate swaps. The fair values of financial instruments are not materially different from their carrying values.

23. SEGMENT REPORTING

As the Company's business activity primarily falls within a single business and geographical segment, no additional disclosure is provided under segment reporting.

24. APPROVAL OF FINANCIAL STATEMENTS:

These consolidated financial statements were approved and authorised for issue by the board of directors on 24 May 2012.

Mussad Abdullah Al Nassar Member Board of Directors	Matthijs Waltherus Cornelis Petrus Chief Executive Officer	Khaled A. Bakhsh Chief Financial Officer