SADAFCO سدافكو

Trusted by Generations

SAUDIA DAIRY & FOODSTUFF COMPANY

ANNUAL REPORT 2019-20

بسم الله الرحمن الرحيم

King Salman
bin Abdulaziz Al Saud

The Custodian of the Two Holy Mosques

HRH Prince Mohammed bin Salman bin Abdulaziz Al Saud

Crown Prince, First Deputy Prime Minister,
President of the Council for Economic and Development Affairs and
Minister of Defense

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saudia

Vision

To be the Brand of Choice

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

Values

- Passion
- Courage to Innovate
- Embrace Change
- Quality of Execution

Message from the **Chairman**

> On behalf of the Board of Directors of Saudia Dairy and Foodstuff Company (SADAFCO), it is my pleasure to present to you SADAFCO's Annual Report for the twelve months ending 31st March 2020.

On behalf of the Board of Directors of Saudia Dairy and Foodstuff Company (SADAFCO), it is my pleasure to present to you SADAFCO's Annual Report for the twelve months ending 31st March 2020. This document includes the Financial Year-End Results, the Auditor's Report and a summary of the highlights of the year's performance and accomplishments.

At the time of writing this review, the entire world is grappling with the challenge that is COVID-19. Although the report is focused on the year ended 31st March 2020, it would be remiss not to acknowledge the current situation and share what we are doing to address this. It goes without saying that we are committed to secure the safety of our employees, their families and of course our consumers. Additionally, we announced that we have made a donation via the Saudi Health Endowment fund of a SAR 10Mln package, made up of product and cash, as well as other such support of product in Kuwait, Bahrain and Jordan.

Increased investment in supporting SADAFCO's brands contributed toward consolidated net income delivery of SAR 265Mln, which was SAR 49Mln (+23%) higher than the previous year. This reflects earnings per share of 8.32, versus SAR 6.73 last year.

The share buy-back program has now been active for more than a year, and since it commenced, the company has re-purchased 500,250 shares. At the prevailing share price, at the end of March, existing shareholders who held back in December 2018, have seen the value of their shares increase by over 50%. The facility was extended for a second 12-month window at our EGM in December 2019, and should an opportunity arise to optimally utilize more of its spare available cash in this manner, the company will seek to do so.

Following the announcement of our Q2 interim financial results, our shareholders approved in December 2019, an increase in the interim dividend payout from SAR 2/share to SAR 2.5/share. Such decisions are undertaken with an eye both to the short-term financial performance of the company, and its ability to fund the higher payout, but also with a view on the long-term prospects of this decision being ultimately sustainable. On both counts, the Board decided to reward its shareholders given the healthy cash balances of the Company.

During the past year, an agreement to purchase a facility adjacent to our existing milk factory in Jeddah was agreed and this facility is now being converted at a cost of SAR 105Mln into a new ice cream production facility to support SADAFCO's future growth ambitions. Such an investment is consistent with our strategy of supporting the 3 existing solid pillars of growth; milk, tomato paste and ice cream.

Our recent investment in purchasing 76% of Mlekoma (Poland) to provide powdered milk raw materials, has delivered savings in excess of 10Mln SAR in the last fiscal year. Another of our investments, the SAR 145Mln Jeddah Central Warehouse (JCW), was commissioned in April 2019, and is already operating at higher utilization, sooner than anticipated, which means that the first year savings are already above initial projections.

On behalf of SADAFCO's Board of Directors, I would like to express gratitude to the Custodian of the Two Holy Mosques, His Royal Highness the Crown Prince and the Government of Saudi Arabia for their continued efforts to support the private sector in the Kingdom.

My appreciation goes to my fellow Board Members, Shareholders, Executive Management and all SADAFCO employees for their combined and continued efforts to develop and grow the Company.

Chairman Board of Directors

Message from the **Chief Executive Officer**

Over this past year, we have shown progressive results delivery, following the previous couple of years where we experienced economic headwinds. The challenges we faced appear to have mostly weakened in their strength, if not entirely disappeared, and during 2019-20 we saw a good recovery of our growth, albeit not yet at desired levels.

With regards to COVID-19, the impact on our 2019-20 results was not material. The onset of any surge in sales was not really seen until the last two weeks in March. It coincided with a predictable increase in sales driven by pre-Ramadan stocking seen on an annual basis, which we were prepared for. The duration and lasting impact of this situation is uncertain, although there is likely to be a change in consumption from out of home (restaurants, café's, outside functions), to more in-home consumption. Our products are equally suited to either occasion but our distribution strength is more marked towards in the in-home segment, so we anticipate we may see some uplift in sales if the situation continues.

As we mentioned last year, the interest in UHT milk production by the fresh milk industry continued. Whereas frequency of discounting is still high, the depth of deals has reduced, thus in combination limiting the intensity of in-market price erosion. As input cost pressures appear to be on an upward trajectory, we suspect the worst of the 'irrational price discounting' could now be behind us.

The consolidated net profit of SAR 265Mln, represents a significant upturn (+23%) versus the previous year's results, delivered through a combination of operating within a more favourable macro-environment and the outcome of concerted efforts we have made to drive top-line growth and continuous cost management. A return of 12.9% of net sales (total consolidated) is up 1.0% vis-a-vis prior years, even after including the dilutive addition of a further quarter of Mlekoma results. Additionally, over the last 2 quarters, we have seen some downside impact of higher raw material input costs, but this has been more than offset by positive margin benefits generated elsewhere by the business. It is the result of consistently working towards strengthening and expanding the backbone of the company.

Our Saudia brand health metrics as represented via exit MAT (moving annual total) market share measures, continue to be strong; Total milk 27.9% (+0.1%), tomato paste 53.9% (+5.8%), ice cream 25.2% (+0.2%). These results reflect the outcome of our investments in activities that support the premium position of the Saudia brand, whilst at the same time ensuring our consumers enjoy quality products at an affordable price. It is worth mentioning that we have been a part of the industry for over 40 years and we still do not operate on a level playing-field.

Our ice cream business retained its #1 position. Over the last year our sales reach has continued to increase through placement of several thousand new freezers in both existing and new outlets. Ice cream is becoming more widely and frequently consumed, both in retail and Out of Home, where the expansion in outdoors public events looks set to increase the number of opportunities for consumers to enjoy our products. We are very well positioned to service the growth in this category both in terms of availability and product choice.

We announced in our Q3 results that we purchased a facility adjacent to our existing milk factory in Jeddah, to support our volume growth ambitions. Plans have been drawn up to convert this site to a new ice cream production facility, which will support our ambitious growth aspirations for many years to come. Work has already commenced, and this facility will both give additional scale for current products and will allow us to introduce new formats.

Our focus remains to deliver profitable growth and the last year exemplifies the fruits of executing against this target. Management of the cost base remains a key priority, and previous investments such as the Riyadh Regional Distribution Centre (RRDC), Jeddah Central Warehouse (JCW) and production facilities up-gradation and expansion projects, all contribute favourably towards generating higher profits and cash generation.

We are working continuously to increase the proportion of our workforce that are female, and are making progress including in functions that were previously seen as being male only. Training and development of all our employees, across capability levels, is a key priority both in order to produce enhanced financial results but also to improve motivation and reduce attrition, across the company.

We would like to thank the Board of Directors for their continuous support, our staff for their dedication and hard work, our customers & suppliers and last but most importantly our loyal consumers whom we try to serve better every day.

Waltherus "Wout" Matthijs

Chief Executive Officer

Executive Management

The SADAFCO Executive Management team is (from the left) Shehzad Altaf (Director Corporate Strategy & Business Development), Devasheesh Singh (Director Commercial Operations), Wout Matthijs (Chief Executive Officer), Ian Gowlett (Chief Financial Officer) and Paul van Schaik (Director Organizational Development).

Main Activities of **the Company**

SADAFCO is a leading, world-class, Saudi Arabia-based company whose activities include local production, importation, distribution and marketing of a wide range of food and beverage products. The portfolio includes dairy products, ice cream, tomato paste, snacks, drinks and other foodstuff items.

SADAFCO currently offers around 130 Stock Keeping Units (SKU) with its core products being marketed under its flagship Saudia brand. Other trademarks in the portfolio include Crispy, Baboo, Majestique, Sensations, More, UFO and JUMP!

The Company operates three factories in Jeddah (two) and Dammam and a plant in Poland. All these factories have highest safety and environment standards and are also Halal certified. It has an established sales and distribution network, with three Regional Distribution Centres (RDCs) in Riyadh, Jeddah and Dammam and 20 depots across Saudi Arabia, Bahrain, Kuwait, Jordan and Qatar (dormant). The Company operates a fleet of more than 847 trucks and vans for its primary and secondary distribution network.

SADAFCO's products are also made available to select Middle Eastern and North African markets such as Libya, Yemen, Mauritania, Iraq, Djibouti, Somalia and Sudan through the Company's export function.

History

The Saudia Dairy and Foodstuff Company (SADAFCO) story began on 21st April 1976 and commenced production of Saudia Milk. Subsequently the European partners sold their shares to Saudi and Kuwaiti shareholders and in 1990 the three dairy companies merged into one to officially form SADAFCO.

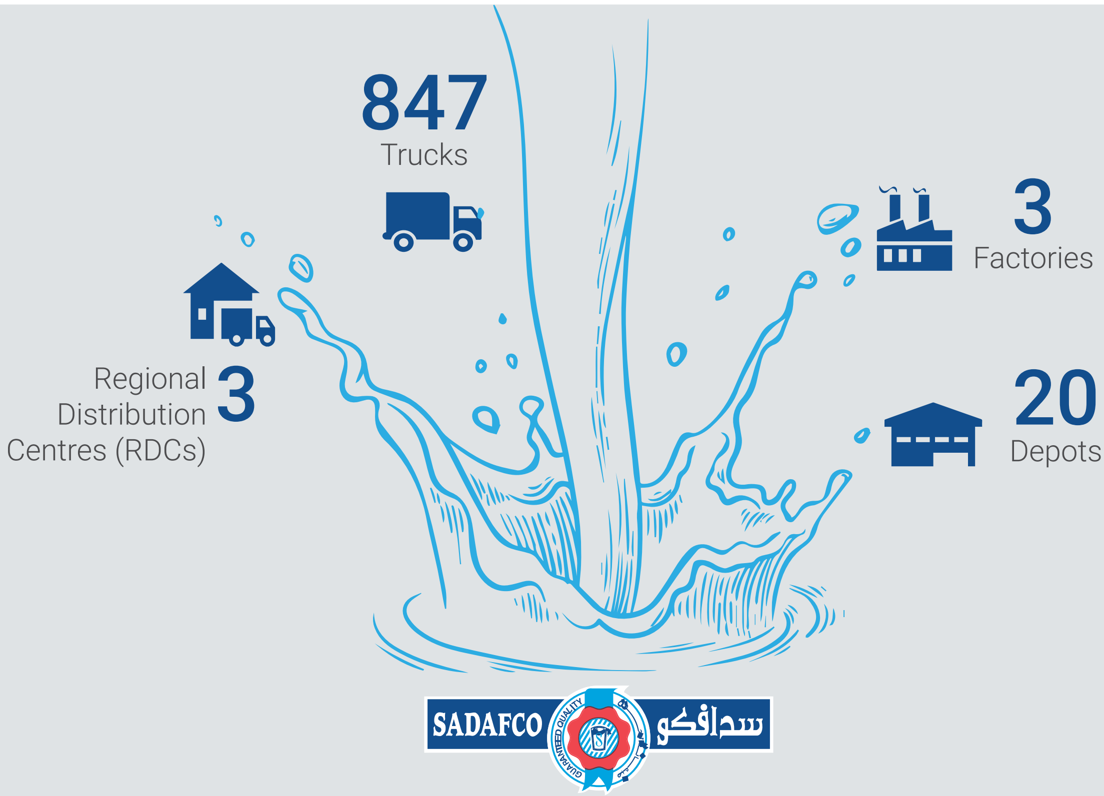
An initial public offering (IPO) on 23rd May 2005 led to the Company's listing on the Saudi Arabian Stock Exchange, Tadawul.

From producing long life milk initially, the Company has diversified its product portfolio offering various food and beverage items.

During this period, SADAFCO has maintained its position as a market leader in Long Life Milk, Tomato Paste and Ice Cream Categories in Saudi Arabia.

Introduction

SADAFCO achieved net sales of SAR 2.056 billion in 2019-20, reflecting a year-on-year increase of 13.4%. It also improved its market shares in key product categories (Milk, Tomato Paste & Ice Cream), indicating strong consumer loyalty towards the Company brands. The Company's total asset base expanded to SAR 2.174 billion, registering growth of 14% over last year. The total shareholder equity of the Company stands at SAR 1.456 billion, an increase of 9% over previous year. As at 31st March 2020, SADAFCO's market capitalization was 4.5 billion vs. SAR 3.4 billion in 31st March 2019.



Supply Chain

This year SADAFCO's manufacturing base has seen investment principally focused on increasing capabilities in all factories to meet the ever-changing consumer needs. The continued focus on automation has again generated significant efficiency gains both in Manufacturing and further down the Supply Chain.

Jeddah Milk Factory has undergone some extensive changes in several areas of the plant. Installation of a 35,000 litre/hour fresh milk reception unit will allow us to receive and use up to 4M litres per month, which results in reduction in water usage and effects raw material savings.

In the Dammam Factory, the focus has been to increase utilisation of the newer production lines. Installing the new inserter for the snack portfolio helps to build a strong promotional platform which encourages the future growth opportunities.

The Ice Cream factory has recently celebrated more than 2 years without any Long Time Accidents. The investment in the factory in recent times has led to increased capacity, which in turn has supported and resulted in record ice cream sales.

All three SADAFCO factories and our sales depot in Riyadh, are certified with ISO22000:2005 (for Food Safety), ISO14001:2015 (for Environment) and ISO 45000:2018 (for Occupational Health & Safety). All three factories are also formally Halal certified, which opens up some exciting additional export opportunities for SADAFCO.

The Company's three factories produce the following products:

Jeddah Factory produces Plain and Flavoured Milk, Laban with Fruit, Soy drink, Evaporated Milk, Date Milk and Thick Cream.

Jeddah Ice Cream Factory produces a variety of different Ice Cream lines.

Dammam Factory produces Tomato Paste, Feta Cheese, Crispy Snacks, Juice Drinks, and Flavoured Water.

In addition to products manufactured within our Factories, SADAFCO also sources products produced by third party manufacturers, which include; French Fries, Butter, Triangle Cheese, Ketchup, Instant Milk Powder, Tinned Sterilized Cream and soon to be added Low Sodium bottled drinking water.

The Procurement department within the supply chain remains a key function in continuing to globally source the highest quality ingredients at competitive prices and build strong supplier partnerships to deliver high quality packaging material on a 'just in time' basis. Raw and Packaging material is stored in close proximity to the factories to minimize logistics costs and provide smooth supply to the factory production sites on a continual basis.

Over the course of the year, SADAFCO has transported over 50.5 million cases of finished goods from the factories and the RDC's to the depots travelling in

excess of 21 million km's. 70% covered by 3pl & 30% by SADAFCO Primary Fleet vehicles that are tracked through advanced telematics that facilitate instant fleet location, product protection, temperature monitoring and route optimization.

Continuing to deliver SADAFCO Fleet Renovation plans to strengthen SADAFCO delivery process with the lowest CPK (Cost per Kilometre) 85% of Primary and 60% of secondary Fleet 5 years old and less.

The new Jeddah Central Warehouse (JCW) is fully operational since April, 2019. JCW is considered as the largest warehouse in SADAFCO's Network, with a capacity of approximately 42,000 pallets. Constructed over three floors using three different storage solutions including a fully automated 15,000 plus pallet put-away, storage and retrieval solution. The warehouse stores all Raw and Packaging Material for use in the Jeddah Factories as well as storing all externally manufactured finished goods and production from these Factories. Additionally, space has been allocated for the installation of baking production lines that started operation from January 2020

The addition of this warehouse to the SADAFCO network, removes the requirement to store raw material in third party storage facilities and moves the inventory much closer to the factories, driving down logistics costs. It also plays a major role in reducing the stock holding in the network as inventory management moves from a push system to a pull solution, where depots are replenished daily, based on daily sales rate. This not only reduces working capital but also ensures product availability and freshness, by utilizing the depots more efficiently and provides a fresher product to the consumer.

Commercial

Up until February, the macro trend changes were positive and strong. Consumer Confidence Index during the year has shown a positive and upward trend, albeit with an up and down spot readings. Annual FMCG market has registered a 6.2% growth which is in line with increasing confidence and willingness to spend more. Since March, Coronavirus and associated restrictions have had mixed effect on the business. While key categories such as Milk and Tomato Paste have witnessed a marked increase in primary and secondary sales due to a combination of Ramadan stocking-up and Coronavirus induced panic buying, Ice Cream categories have been impacted due to significant reduction in Impulse purchase behavior and closure of Restaurants and Juice shops which are our big customers of Catering packs of Ice cream. While a correction of the pantry loading is expected in the coming months, it is also expected that there will

be increase in in-home consumption due to mobility restrictions expected to continue during the holy month of Ramadan.

Along with growth in the dairy segment, SADAFCO's plain milk value share has also increased to 33.1% at MAT Feb level (+1.0pp from MAT Feb'19). Drinking milk and more specifically Long life plain milk segments has seen a reduction in discounting with the key indicator SAR/L increasing from SAR 4.5 to SAR 4.7 (Source: Nielsen). Along with growth in retail segment, SADAFCO's continued focus on onsite consumption channel has reaped rewards with sales growing at 50+%, albeit on a small base – with a handsome growth being registered in Ice Cream onsite consumption and B2B sales. We continue to do meaningful ROI positive activities such as 1) increased exposure in Modern Trade visibility and Flyer activity, 2) engage our core

young audience through an extensive School Program which saw SADAFCO reach a milestone of reaching 1Mln. school kids to build awareness about importance of milk and good nutrition 3) Brand equity advertising campaigns.

During the year, SADAFCO has launched value-added functional milks, namely Cholesterol Lowering and Calcium Enriched, to cater to specific medical needs of targeted segments of the population. It is early days and the launches have been supported through multiple communication and influencing channels.

Our Tomato Paste, which is part of our culinary consumer needs portfolio, was supported through advertising campaign (Sufra campaign aptly supported by value building in-store promotions, visibility, and engaging POSM). These activities saw SAUDIA's Tomato Paste share increased to 53.6% at MAT Feb level (+1.5pp from MAT Feb'19).

Our Snacks category was promoted through an innovative "Collect & Play" campaign engaging the kids to be excited & socialize with each other to make trades. This year we also introduced the family size pack in our new flavour offering of Salt & Vinegar, with encouraging results.

SADAFCO continues to invest in the Ice Cream segment with wider availability resulting in an increase in Numeric Distribution. Consumer engagement has been led by robust loyalty creating promotional activities. Overall market share increased to 25.5% in MAT Feb (+0.7pp vs. MAT Feb'19) through key impulse formats like Cups & Sticks with clear leadership maintenance in Cones, Sandwich and Tubs. During the year, we launched strawberry flavour variants in Ice Cream Sandwich and Baboo Cups which contributed >3% to the Ice Cream Sales.

SADAFCO Sales and Distribution Team continues to focus on ensuring the right level of Distribution and availability for our brands across all our Trade Channels. We have not only rapidly expanded our Frozen Distribution this year, but also strengthened our operations in the Ambient sector. We continue to use technology to optimize routes and to ensure that our Mobile Sales Force automation continues to enhance disciplined and predictable coverage of all stores with the right level of replenishment.

We continue to improve our visibility and shopper communication in stores across all our locations.


Take my
ABC
ABC

Organizational Development

During the last quarter of SADAFCO's financial year all hands were on deck to counter COVID-19. As early as January the company doctor paid extra attention to the importance of hygiene in his lectures for staff. All locations were requested to conduct extra cleaning, face masks and gloves were distributed within the company, our staff accommodation in Jeddah was upgraded to house employees in a controlled environment and by February anybody entering SADAFCO's premises had their temperature measured. In a short time, staff teamed up, prompt actions were taken and great things were achieved.

SADAFCO ended the financial year with a headcount of 2,783 (2,426 staff on payroll and 357 casuals), an increase of 121 people (56 staff on payroll and 65 casuals) compared to last year, representing 46 different nationalities. At the end of the financial year SADAFCO employed 19 people with special needs.

In 2019/20 we recruited 423 people and we saw 367 leave. Our attention was focused on recruiting nationals, in particularly for managerial positions. Eleven nationals were recruited for such positions from outside SADAFCO and four nationals were promoted from within the company.

Annual attrition was 15.2%, which is a little above the desired level of 14.78%, the FMCG industry average (source: Hay). The retention program introduced in 2018 did not reduce the attrition significantly and we did not achieve our nationalization target of 40%. Despite the challenges, SADAFCO remained in solid green as determined by Nitaqat, the Saudi nationalization scheme of the Ministry of Human Resources and Social Development.

Technical vocational training program has been designed in cooperation with the Higher Institute of Water and Power Technology in Rabigh to attract and retain people in the company. During an academic year, young nationals are trained to work either in one of our factories or in a workshop at one of our depots. In January 2020 nine trainees graduated and are now working with SADAFCO. Currently a fourth class of nine nationals are training in Rabigh and we are looking forward to their graduation early next year. All in all, SADAFCO employs 34 nationals who have followed this training program over the last three years.

Training & Development is a corner stone of the company for its further growth and success. Our training programs are not limited to functional trainings alone, our staff has also been participating in personal development programs with the intention to prepare them for leadership positions. All-in-all, 28 different training courses titles were delivered to 549 employees; 70% more than in 2018/19, which was 322 employees.

SADAFCO provides an environment where women are encouraged to participate in their development and that of the company. We saw more women join across all functions and at different levels within the organization. The area where the new biscuit line and cone bakery is located at Jeddah Central Warehouse (JCW) has been designed to be operated by women only. Once fully operational it will employ up to 35 women in various shifts. In 2020/21 our target at the ice cream factory will be to have five lines operating simultaneously, with 50% of the staff on the lines being women.

SADAFCO employs 110 women as on 31st March 2020.

Our IT employee Joud Abdulfattah's research paper on RFID was published in the International Journal of Computer Science and Network Security. She also obtained ISO27001 Certification along with ISMS Lead Implementer by International Board for IT Governance Qualifications. SADAFCO is proud of her achievements.

Being a manufacturer of foodstuff; health, safety and hygiene is of the utmost importance. A lot of attention is given to these subjects and all efforts are being made to keep the staff vigilant at all time.

Lectures on health, hygiene and its importance are given by the Company Doctor throughout the year. Additionally, staff from the quality department monitors compliance with these measures.

Seasonal (influenza) vaccinations were administered to staff, and First Aid and Cardiopulmonary Resuscitation (CPR) trainings were given. Staff at all our factories and Regional Distribution Center in Riyadh went through medical check-ups as required by ISO.

SADAFCO Celebrates the Graduation of 9 Trainees (HIWPT)

SADAFCO continuously encourages staff to look after their health by way of offering membership to a fitness club of which the company contributed to half of the subscription fee. The daily 'Pulse' magazine published recipes for healthy meals, further encouraging a healthy lifestyle. The company further sponsored its basketball, cricket and football teams, thereby indirectly supporting outdoor activities.

Together with our healthcare insurer we actively monitor our staff's health on a quarterly base. 'Health Zones' were organized for basic measurement, e.g. measuring blood pressure, blood sugar and weight. Afterwards there was an opportunity to consult with a doctor. We also had guest speakers visiting SADAFCO, wherein Dr. Hanaa Tashkandi, Consultant in General and Laparoscopic Surgery at Dr. Soliman Fakeeh Hospital lectured on Breast Cancer awareness, and Dr. Nezar Bahabri, Director of Internal Medicine at Dr. Soliman Fakeeh Hospital lectured on COVID-19 awareness.

The average age of employees in the company declined marginally to 38.7 years.

All the above will get our unconditional attention as well in the coming year.

Environmental, Social and Governance (ESG)

Business plays an integral role, not only in economic growth, but societal development. At SADAFCO, we believe that purpose, and profit, are not mutually exclusive.

We understand that our business is an expression of our values. SADAFCO is committed to the improvement of the world around us for long term social and economic development. We make products aimed at improving the health and well-being of consumers while working to minimize our environmental footprint.

SADAFCO's dedication to supporting Vision 2030 is underpinned by a commitment to investing in the education, engagement and training of emerging local talent with a particular emphasis on developing technical skills and capabilities.

Talent development is a key focus for SADAFCO and we are dedicated on shaping the evolving food industry in Saudi Arabia through the development of expertise of Saudi nationals, both male and female, across all business operations.

Positive and Effective Gender Balance: Respect and inclusion of every individual, regardless of gender, ethnicity, nationality or age is an integral part of the working culture at SADAFCO. By engaging our workforce and fostering an environment where everyone can fulfil their potential is a key part of the successful implementation of our business strategy.

SADAFCO is implementing initiatives to work towards achieving a gender balanced workforce through a series of initiatives to encourage and empower women in its workforce, across functions and positions. SADAFCO distinguishes itself by committing to transparency in gender reporting and advancing women's equality through the provision of equal opportunity and pay.

Saudi women are increasingly playing a key role in SADAFCO's operation across several business units. This is evident in the newly introduced in-house Chocolate manufacturing line at Jeddah Ice Cream Factory (JICF), which is entirely operated by women who are successfully running the plant. The cone lines, at Jeddah Central Warehouse (JCW) are operational and SADAFCO has implemented a strategy to increase the number of females handling the operation from a capacity of 50% to 100% females.

Additionally, SADAFCO has set a target to achieve 35% nationalization and more than 10% female of total employees working in the company.

Training and Development: As part of its commitment to investing in talent and unlocking potential, SADAFCO joined forces with the Higher Institute of Water and Power Technology in Rabigh to spearhead a technical vocational training program. The strategic partnership facilitates young nationals' participation in a vocational training programme to work in either one of SADAFCO's factories or workshops. In January 2020, nine trainees graduated from the programme and have secured permanent positions within SADAFCO. A fourth class of nine nationals training in Rabigh are currently undergoing training and look forward to their successful program completion early next year.

The success of the programme is a testament to SADAFCO's dedication to nurturing local talent, with 34 nationals successfully completing the training program and securing employment with SADAFCO over the last three years.

Manufacturing Great Products: SADAFCO strives to make products which support health and well-being of consumers at every stage of their lives. As part of this commitment, SADAFCO introduced two new type of Saudia milk, one including ingredients to help in reducing cholesterol, and the other with a fortified, high calcium content to aid in the formation and maintenance of strong bones.

Safety and Quality: Making products for long term sustainable development of all its stakeholders lies at the core of SADAFCO values and cements our commitment to providing consumers and their families with products that are safe and of high quality. Our discipline for rigorous standards of product safety has helped us in securing certifications for our three factories for Food Safety with ISO22000:2005, for Environment with ISO14001:2015, and for Occupational Health & Safety. The last factory attaining certification has been updated and upgraded to the most recent ISO 45000:2018 certification in January 2020.

Ensuring safety and best practices of production has resulted in SADAFCO Ice Cream Factory achieving more than 650 days (almost two years) without lost time accidents.

89th Saudi National Day: SADAFCO celebrated the 89th anniversary of the national day to showcase importance of unity and harmony, and how we can show pride in our heritage as a nation. SADAFCO launched a commemorative video featuring employees from different functions singing the national anthem.

Celebrating the month of Giving: Under the supervision of Makkah Province Principality and in collaboration with Together Society, SADAFCO sponsored the Ramadan Basket initiative for the 4th consecutive year. With the help of 3000 volunteers over the four days, 5100 baskets were prepared, packed and distributed to 2550 families in 8 governorates with each family receiving 34 items.

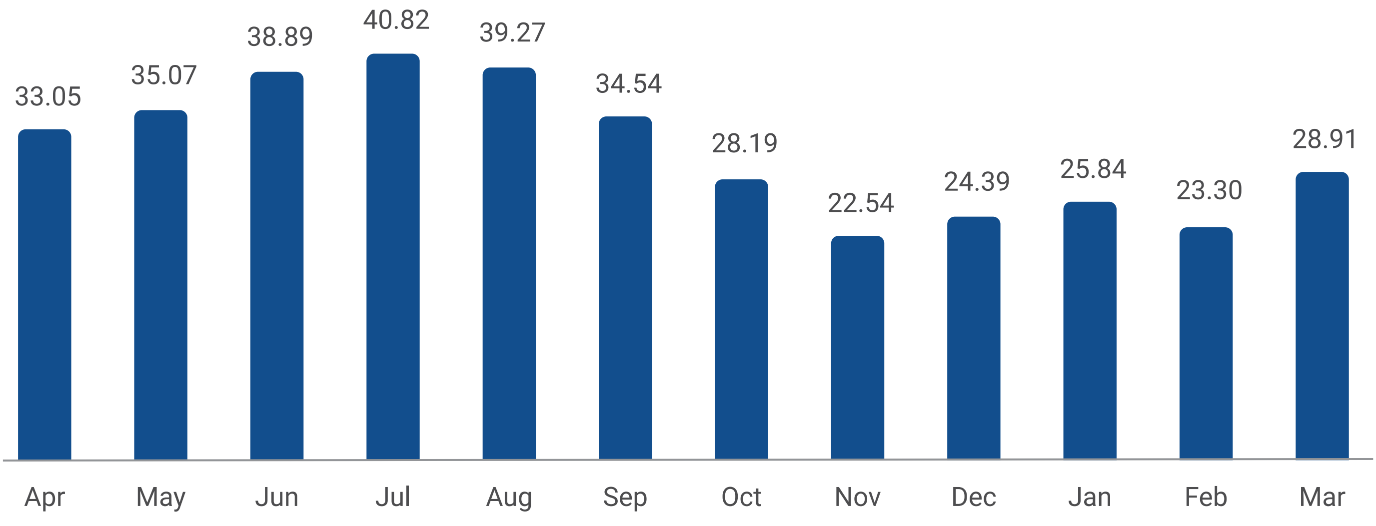
Reduction in Carbon Footprint: SADAFCO understands the importance of fulfilling its obligations to society and is committed to preserving human rights, safety and engaging in environmentally sound practices. SADAFCO has taken multiple initiatives to support this operational ethos:

SADAFCO is one of the first Saudi Companies to install solar panels to lower its energy consumption and is currently working towards installing a full roof of solar panels to its Jeddah Central Warehouse (JCW).

SADAFCO installed a photovoltaic (PV) system at Riyadh Regional Distribution Centre to combine the output

of the existing Saudi Electric Company (SEC) supply and 226KW power generated via 2,088 solar panels. The panels, with a surface area of 1,592m^2 installed at the parking area and supported by steel structures to provide additional benefit of providing shade to cars. This will not only reduce cost through reduced SEC consumption but will also reduce pollution from emissions. The system is expected to suffice 17% of daytime energy requirements. Installed PV generation system is 24/7 monitored by a computerized system and efficiency of the system is fulfilling the initial planned savings. Last 1 year (Apr'19 to Mar'20) PV system generated 374.81 MWh energy, which makes a saving of SAR 112,443.

Actual Monthly PV Generation (MWh) - RRDC



A part of SADAFCO's water saving efforts, natural grass around Al Shaikha Al Fotouh Mosque was replaced with water-saving artificial turf.

SADAFCO is in its fifth year of successful migration and digitization of its Purchase Order approval procedure and the HR and Payroll system used by all SADAFCO's employees online. Both systems have significantly reduced the total time needed for processing, and eliminated the need for printing, increasing the efficiency, cost effectiveness and sustainability index of the process.

Primary packaging of SADAFCO's milk and tomato paste is done via Tetra Pak, which is certified by Forest Stewardship Council Committee for the sustainable management of forests. Secondary packaging including trays are sourced from biodegradable recycled paper, greatly reducing the environmental impact of our operations.

There is continuous focus on water reduction and recycling, which is the part of business KPIs across all manufacturing sites. We also have an external consultant visiting to highlight the saving opportunities each year, focusing predominantly on product safety and chemical usage. Based on the findings, there is consistent water wastage reduction as well as chemical saving.

SADAFCO continues to develop and innovate processes as part of its dedication to efficient waste management during production processes.

We managed to reduce water usage by 11.8% in Jeddah Factory, 12.0% in Jeddah Ice Cream Factory, and 0.9% in Dammam Factory production in MT versus last year. This was a result of undertaking careful analysis and studies that provided us with the data necessary to adapt our approach for successful implementation and maximum effect. By leveraging the data and our expertise, we can look forward to seizing cost opportunities to reduce further water usage within capital projects.

Health Promotion and Evaluation: The respect for the right to Health and Safety at work, achieving a work environment that favors everybody's motivation and satisfaction, as well as eliminating all work accidents, is a fundamental part of our operation as a socially responsible company.

SADAFCO's Health and Safety protocols, and initiatives demonstrate the Company's commitment to operating to the highest international standards of occupational health and safety.

Each month, the company conducts health check-ups and provides a variety of screenings through dedicated programs. These include early detection and treatment for hypertension and diabetes to avoid complications of cardiovascular disease. SADAFCO also conducts individual checks so that employees can better understand their health status and continue to track various health issues including obesity and deficiencies of vitamins.

During Breast Cancer Awareness month, SADAFCO organized a series of engaging events. The lectures

focused on spreading awareness about prevalence of Breast Cancer, its risk factors, prevention, early detection and self-examination. SADAFCO also conducts regular medical awareness, including vitamin D awareness, and blood tests for females.

Since the COVID-19 virus was publicized in late December 2019, SADAFCO's dedicated committee have diligently monitored the escalation of the pandemic. As early as January 2020, SADAFCO proactively launched an employee engagement and education program. This consisted of workshops and training focused on hygiene protocols and disease prevention best practices. The training sessions took place onsite and via video conferencing across all SADAFCO locations.

Prevention protocols including social distancing, remote working and staggered shifts amongst other extensive hygiene and sanitization protocols were implemented with immediate effect. In February everybody entering SADAFCO's premises had their body temperature measured and non-SADAFCO employees visiting were reduced to the minimum. This early action taken by SADAFCO was crucial in maintaining uninterrupted manufacturing operations and continuous operation of manufacturing and supply processes ensuring the provision of a steady stream of products to the market.

In addition, SADAFCO implemented employee travel restrictions and imposed mandatory 14-day isolation for all employees re-entering the Kingdom. SADAFCO already had in place innovative solutions to enable remote working. Through stable connectivity and the facilitation of video conferencing capabilities, SADAFCO greatly reduced the number of employees in the office, enabling them to carry out their duties remotely without interruptions or delays.

At SADAFCO our dedication to doing good in every area of our business is reinforced by our commitment to implementing a solid Corporate Social Responsibility framework.

SADAFCO strives to operate as a socially responsible company, dedicated to embedding an ethos of corporate citizenship and implementing sustainability initiatives throughout our operations.

Every step SADAFCO takes considers the environmental and societal impact across communities we operate in, and beyond. As part of this commitment, SADAFCO includes approaches and initiatives focused on delivering a positive impact on the welfare, wellbeing and health of the communities in which we are present. This is a central focus for our strategic planning today, and for the future.

CSR initiatives to date include:

- In Jeddah and Dammam, the Company has been involved as a strategic partner with MODON's 2018/19 School Visitation Program by hosting groups of school children to show them how products are manufactured from raw materials.
- SADAFCO sponsored sporting activities. SADAFCO sponsored cricket teams (in West and Eastern region), basketball teams (in West and Eastern region) and football team.
- SADAFCO supplied free products to schools in various locations across the Kingdom.
- SADAFCO contributed products to Quran schools, Schools catering to special needs and old age homes.
- SADAFCO supported schools with healthy breakfast initiatives during the year, including on the International Milk Day 2019/20
- SADAFCO supported Ministry of Health vaccination programs.
- SADAFCO provided health awareness lectures with pioneering doctors to cover significant topics such as Breast Cancer and COVID-19.
- SADAFCO sponsored Arab Beverages Conference & Exhibition in 2019/20.
- SADAFCO participated in the Saudi National Center for Palm & Dates in the Abu Dhabi International Dates Exhibition 2019.
- SADAFCO participated in SFDA (Saudi Food Drugs Authority) conference in Riyadh.
- SADAFCO participated in Gulfood 2020.
- SADAFCO provides a technical vocational training program together with HIWPT.
- Through SAIFI Program, SADAFCO is educating/ developing young Saudi nationals to participate in society.
- In achieving the Society's objective of building capabilities and to include them in the society, SADAFCO provides job opportunities for orphans with direct hiring after coordinating with the related official in institution.

Main Activities for the **Company and its Subsidiaries**

Product		Activity Revenue (SAR million)	Percentage (%)
	Milk	1,327	65
	Tomato Paste	184	9
	Ice Cream	267	13
	Powdered Milk	131	6
	Cheese	39	2
	Others	108	5
	Total	**2,056**	**100**

Revenue Geographical Analysis for the Company and its Subsidiaries

Financial Year	KSA (SAR million)	GCC (SAR million)	Middle East (SAR million)	Poland (SAR million)	Total Revenue (SAR million)
2019-20	1,752	58	48	198	2,056
2018-19	1,567	58	42	146	1,813
2017-18	1,604	62	27	-	1,693

Sales Contribution by Product Category

Product		Contribution (%) 2019-20	Contribution (%) 2018-19	% Point Change
	Milk	65	65	0
	Tomato Paste	9	10	-1
	Ice Cream	13	13	0
	Powdered Milk	6	4	2
	Cheese	2	2	0
	Others	5	6	-1
	Total	**100**	**100**	**0**


saudia

Main Activities of **Subsidiary Companies**

The main activities of the SADAFCO subsidiary companies in Kuwait, Bahrain and Jordan are selling and distributing SADAFCO products in these countries. The subsidiaries in Poland are manufacturing and distributing dairy products in Europe and MENA.

SADAFCO Subsidiary Companies Revenue

Product		Activity Revenue (SAR million)	Percentage (%)
	Milk	45	16
	Milk - liquid	84	30
	Tomato Paste	11	4
	Ice Cream	8	3
	Powdered Milk	102	37
	Cheese	9	3
	Others	20	7
	Total	**279**	**100**

Revenue Geographical Analysis for Subsidiaries

Financial Year	GCC (SAR million)	Middle East (SAR million)	Poland (SAR million)	Total Revenue (SAR million)
2019-20	58	48	198	304
2018-19	58	42	146	246
2017-18	62	18	-	80

Includes export sales

Sales for SADAFCO and Subsidiaries by Location

Country	Sales 2019-20 (SAR million)	Percentage (%)	Sales 2018-19 (SAR million)	Percentage (%)
Saudi Arabia	1,752	85	1,567	87
Poland	198	10	146	8
Bahrain	40	2	42	2
Qatar	0	0	0	0
Kuwait	18	1	16	1
Jordan	23	1	19	1
Export	25	1	23	1
Total	**2,056**	**100**	**1,813**	**100**

SADAFCO's Subsidiaries names, main activities, headquarter locations and percentage ownership

SADAFCO owns shares in subsidiary companies to help achieve its targets and distribute its products as mentioned below:

	Company	Main Activity	Country	Paid Up Capital	Number of Shares	Ownership (%)
1	SADAFCO Bahrain Company (SPC)	Import, Export, Sale, Distribution of Dairy Goods, Ice Cream and Goods	Bahrain	BD 50,000	500	100%
2	SADAFCO Kuwait Foodstuff Company	Distribution of Dairy and Foodstuffs	Kuwait	KD 50,000	100	49%
3	SADAFCO Jordan Foodstuff Company LLC	Import, Sale, Distribution and Marketing of Dairy, Ice Cream and other foodstuffs	Jordan	JD 250,000	250,000	100%
4	SADAFCO Poland sp. Z.o.o.	Own shares in companies and other activities	Poland	PLN 805,000	16,000	100%
	Mlekoma sp. Z.o.o.*	Manufacturing of Dairy Products	Poland	PLN 8,728,000	17,456	76%
	Foodexo sp. Z.o.o.* *	Manufacturing of Dairy Products	Poland	PLN 1,000,000	2,000	76%
	Mlekoma Dairy Z.o.o.* *	Wholesale of milk, dairy products	Poland	PLN 1,000,000	1,000	37%
5	SADAFCO Qatar Company (LLC)	Dormant (Distribution of Dairy and Foodstuffs)	Qatar	QR 1,500,000	1,500	75%

*SADAFCO acquired a controlling stake in Mlekoma sp. Z.o.o. and its subsidiary Foodexo sp. Z.o.o. and an associate Mlekoma Dairy Z.o.o. (collectively referred to as 'Mlekoma group') through a wholly owned subsidiary, SADAFCO Poland, incorporated in Poland.

** These companies are owned by Mlekoma sp. Z.o.o.

None of the above–mentioned Subsidiaries have any debt instruments issued.

BAHRAIN

SADAFCO BAHRAIN COMPANY (SPC)

KUWAIT

SADAFCO KUWAIT FOODSTUFF COMPANY

JORDAN

SADAFCO JORDAN FOODSTUFF COMPANY LLC

POLAND

- SADAFCO POLAND SP. Z.O.O.
- MLEKOMA SP. Z.O.O.*
- FOODEXO SP. Z.O.O.* *
- MLEKOMA DAIRY Z.O.O.* *

Key Performance Indicators

Net profit for the year increased from SAR 216Mln to SAR 265Mln (+SAR 49Mln, +22.7%) driven by higher sales and margins. Net Sales of milk were up +14%, ice cream + 15% and tomato paste +6%, which together contributed to an overall increase of 12%, delivered by growth across all channels. Higher milk sales were primarily driven by less intense discounting (same high frequency of promotions, less deep reductions), which was seen across the category.

Margins improved from 32% to 33.5%, driven by lower promotional intensity in the milk category and a higher proportion of sales of ice cream, delivered through distribution expansion across our markets. Raw materials cost increases flowed through during Q3 and Q4 but a combination of sourcing from our Polish subsidiary, Mlekoma, and the greater positive impacts of the factors noted above, meant that the margin still improved.

Selling and distribution overheads increased from SAR 266Mln to SAR 301Mln (+34.6Mln, +13%) mainly due to higher manpower costs associated with delivering higher sales and increased depreciation relating to more sales vans and ice-cream freezers being deployed in the market. In addition, we increased the investment in brand building A&P.

G&A overheads increased from SAR 92Mln to SAR 101Mln (+SAR 8.5Mln, 9.3%) mainly due to higher manpower costs. The Company continues to focus on developing and retaining local national talent which entails additional training costs. Finance costs increased due to implementation of IFRS 16.

Additional provision for trade receivables of SAR 12.7 million was considered prudent and is included in the results due to the current economic situation arising

from COVID-19. This relates to all our businesses in KSA and Gulf.

The outbreak of COVID-19 had a minimal impact on our results for 19/20 as it only really started being felt in the last fortnight in March. Our prioritization during this time is on the safety and wellbeing of our employees, their families, the community we operate in and our stakeholders. Our depots and factories have continued to run, in accordance with the prevailing government guidelines, as we seek to ensure our customers continue to receive their SAUDIA branded products, during these challenging times.

This last year's performance represents a strong recovery following the previous couple of years where sales and profits fell. All three pillars grew sales and market share positions were at least in line with the prior year on a MAT (moving annual total) basis. Our Polish powder subsidiary had a stronger year as well, partly the result of higher global milk commodity prices and also due to consistently higher factory utilization.

In Q3, we announced the purchase of a facility that we are now working to convert into a new ice cream factory to support both our medium and long term growth objectives but also new product format launches.

During Q3, the board approved an increase in the interim dividend that was paid in December from SAR 2.0 / share to SAR 2.5 / share.

The bank balance at the end of March stood at SAR 646Mln.

Income Statement (SAR million)

2019-20		2018-19
2,056	Net Sales	1,813
(1,367)	Cost of Sales	(1,233)
689	Gross Profit	580
(301)	Selling & Distribution Expenses	(266)
(101)	General & Administrative Expenses	(92)
(12)	Net Other Income/ (Expenses)	(0.3)
8	Net Financial Income	12
(18)	Zakat	(17)
265	Net Profit	216

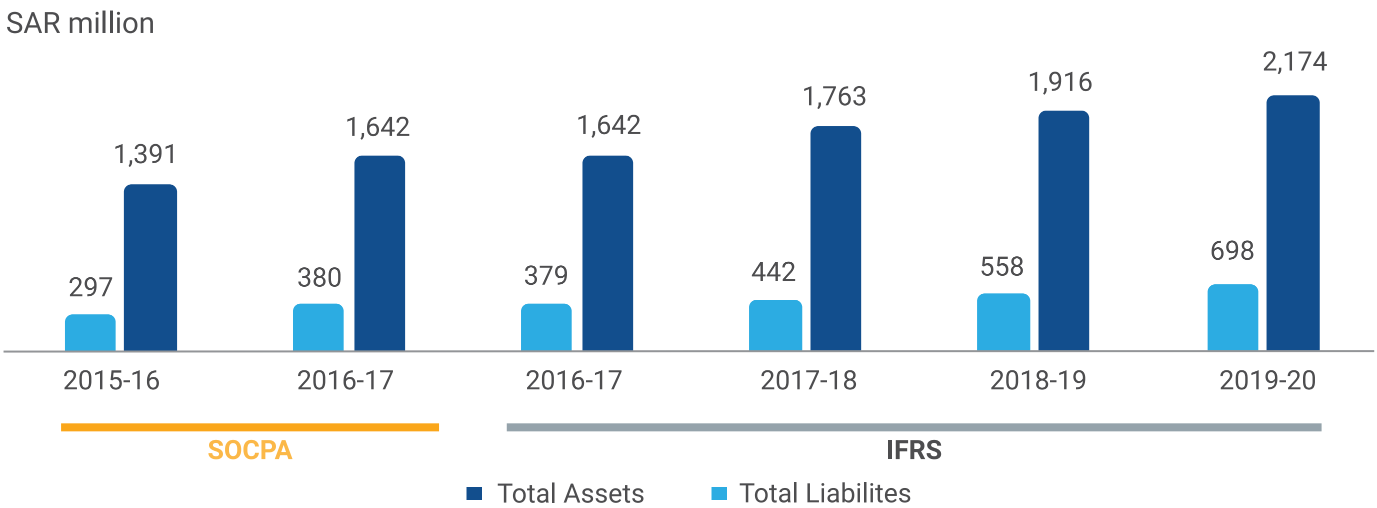

السعودية
saudia
حليب
كامل الدسم

Business Results Comparison (SAR million)

Details	2019-20	2018-19	2017-18	2016-17	2016-17	2015-16
Revenue	2,056	1,813	1,693	1,787	1,858	1,983
Cost of Revenue	-1,367	-1,233	-1,059	-1,097	-1,097	-1,274
Gross Profit	689	580	634	690	761	709
Net Profit	265	216	260	304	302	261
	IFRS				SOCPA	

Assets & Liabilities Comparison (SAR million)

Details	2019-20	2018-19	2017-18	2016-17	2016-17	2015-16
Current Assets	1,273	1,095	1,100	1,044	1,044	813
Non-current Assets	901	821	663	597	598	577
Total Assets	**2,174**	**1,916**	**1,763**	**1,642**	**1,642**	**1,391**
Current Liabilities	498	420	329	271	269	196
Non-current Liabilities	200	138	113	108	111	100
Total Liabilities	**698**	**558**	**442**	**379**	**380**	**297**
	IFRS				SOCPA	



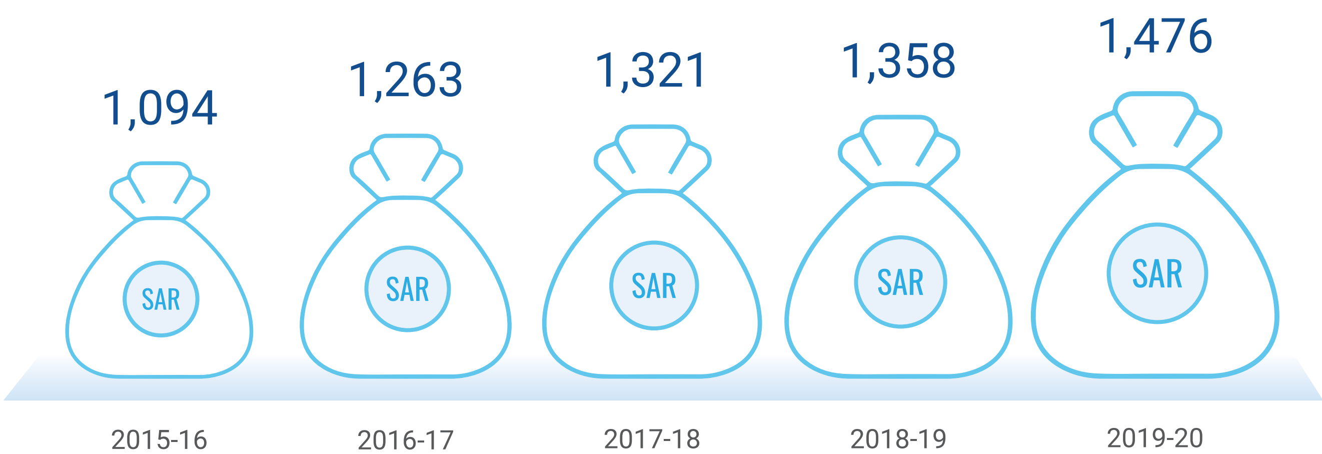
Operational Results and Major Changes (SAR million)

Details	2019-20	2018-19	Changes (+) or (-)	% of Changes	2017-18
Revenue	2,056	1,813	243	13%	1,693
Cost of Revenue	-1,367	-1,233	-134	11%	-1,059
Gross Profit	689	580	109	19%	634
Other Operational Expenses	-413	-358	-55	15%	-361
Operational Profit	276	222	54	24%	274
			IFRS		

Statutory Payments for 2019-20 (SAR thousand)

Description	Due	Paid	Balance
Customs	9,879	9,879	-
Zakat	30,525	30,525	-
GOSI	12,721	12,721	-
Tadawul Contract	568	568	-
Government Fees & Visas	11,576	11,576	-
Value Added Tax + Excise Duty	29,234	29,234	-
Total	**94,503**	**94,503**	**-**

Change in Total Shareholders' Equity (SAR million)



Names of Board of Directors, Committees Members and Executive Management - Current and Previous Positions, Qualifications and Experience

Board of Directors

	Name	Current Positions in SADAFACO & Other Company	Previous Positions in SADAFCO & Other Company	Qualifications	Experience
1.	HH Sheikh Hamad Sabah Al-Ahmad	Chairman	Chairman	Diploma from Storm King School, USA	▪ Chairman of SADAFCO – Saudi Arabia ▪ Chairman of KIPCO – Kuwait ▪ Chairman of Gulf Egypt Hotels & Tourism Company – Egypt
2.	Mr Faisal Hamad Mubarak Al-Ayyar	Vice Chairman	Vice Chairman	Aviation, USA	▪ Vice Chairman of KIPCO – Kuwait ▪ Vice Chairman of Gulf Insurance Company – Kuwait ▪ Vice Chairman of Kuwait Jordanian Bank – Jordan ▪ Vice Chairman of SADAFCO – Saudi Arabia ▪ Vice Chairman of United Gulf Bank – Bahrain
3.	Mr Abdullah Yaqoob Bishara	Member	Member	International Law University, Oxford, UK	▪ Board Member SADAFCO – Saudi Arabia ▪ Board Member of KIPCO – Kuwait
4.	Mr Saeid Ahmed Saeid Basamh	Member	Board member in various companies	B.Sc Business Administration – Marketing & Logistics Ohio State University, USA	▪ Board Member - International Medical Center ▪ Chairman - Al Khair Industries Co. for Inorganic Chemicals ▪ Board Member - Basamh Group of Companies ▪ Chairman - Hala Supply Chain Company ▪ Board Member - IDEA International Investment & Development ▪ Board Member - Future Resources Company ▪ Board Member Sorooh Al-Madinah for Real Estate Investments Co.
5.	Mr Ahmed Mohamed Hamed Al-Marzouki	Member	Member	MBA - California State University - America	▪ Sales & Marketing SADAFCO – Saudi Arabia ▪ Board Member SADAFCO – Saudi Arabia ▪ Executive Management in various companies ▪ Board Member of Buruj Co-Op Insurance Company

	Name	Current Positions in SADAFACO & Other Company	Previous Positions in SADAFCO & Other Company	Qualifications	Experience
6.	Mr Suleiman Saud Jarallah Al-Jarallah	Member	Member	Military School - Saudi Arabia	▪ Manager Al Jarallah for Gold and Jewellery – Saudi Arabia ▪ Board Member SADAFCO – Saudi Arabia ▪ Chairman Nomination and Remuneration Committee SADAFCO – Saudi Arabia
7.	Mr Mussad Abdullah Abdul Aziz Al-Nassar	Member	Member	Bachelor of Public Administration - Al Bakrki University - USA	▪ Board Member SADAFCO – Saudi Arabia ▪ Sales Administration SADAFCO ▪ Executive Manager SADAFCO ▪ Manager of SADAFCO Bahrain ▪ Manager of SADAFCO Qatar ▪ Vice Chairman of SADAFCO Jordan ▪ Board member SADAFCO Poland sp. Z.o.o.

Board of Directors Formation and Capacity

The Board of Directors is constituted of seven members elected for the term starting 1st April 2018 and ending 31st March 2021.

Name	Capacity
HH Sheikh Hamad Sabah Al-Ahmad	Non-executive
Mr Faisal Hamad Mubarak Al-Ayyar	Non-executive
Mr Abdullah Yaqoob Bishara	Independent
Mr Saeid Ahmed Saeid Basamh	Non-executive
Mr Ahmed Mohamed Hamed Al-Marzouki	Independent
Mr Suleiman Saud Jarallah Al-Jarallah	Independent
Mr Mussad Abdullah Abdul Aziz Al-Nassar	Executive

Audit Committee

	Name	Current Position	Previous Position	Qualifications	Experiences
1.	Mr Faisal Hamad Mubarak Al-Ayyar	Vice Chairman	Vice Chairman	Aviation, USA	▪ Vice Chairman of KIPCO – Kuwait ▪ Vice Chairman of Gulf Insurance Company – Kuwait ▪ Vice Chairman of Kuwait Jordanian Bank – Jordan ▪ Vice Chairman of SADAFCO – Saudi Arabia ▪ Vice Chairman of United Gulf Bank – Bahrain
2.	Mr Tariq Mohammad Abdulsalam	Member	Member	Bachelor of Commerce - Kuwait University	▪ CEO of Investment Sector, KIPCO - Kuwait ▪ CEO United Real Estate Company – Kuwait ▪ Vice Chairman and Director of KIPCO Kuwait
3.	Mr Ahmed Mohamed Hamed Al-Marzouki	Member	Member	MBA - California State University - USA	▪ Sales & Marketing SADAFCO – Saudi Arabia ▪ Board Member SADAFCO – Saudi Arabia ▪ Executive Management in various companies ▪ Board Member Buruj Co-Op Insurance Company

Nomination & Remuneration Committee

	Name	Current Position	Previous Position	Qualifications	Experiences
1.	Mr Suleiman Saud Jarallah Al-Jarallah	Chairman	Chairman	Military School - Saudi Arabia	▪ Manager Jarallah Jewellery – Saudi Arabia ▪ Board Member SADAFCO – Saudi Arabia ▪ Chairman Nomination and Remuneration Committee SADAFCO – Saudi Arabia
2.	Mr Faisal Hamad Mubarak Al-Ayyar	Member	Member	Aviation, USA	▪ Vice Chairman of KIPCO – Kuwait ▪ Vice Chairman of Gulf Insurance Company – Kuwait ▪ Vice Chairman of Kuwait Jordanian Bank – Jordan ▪ Vice Chairman of SADAFCO – Saudi Arabia ▪ Vice Chairman of United Gulf Bank – Bahrain
3.	Mr Tariq Mohammad Abdulsalam	Member	Member	Bachelor of Commerce - Kuwait University	▪ CEO of Investment Sector, KIPCO – Kuwait ▪ CEO United Real Estate Company – Kuwait ▪ Vice Chairman and Director of KIPCO Kuwait

Executive Management

Mr Waltherus C.P. Matthijs
Chief Executive Officer

Wout's professional experience spans over 35 years in the FMCG food and diverse industrial sectors across Europe, Central America, Africa and the Middle East. He joined SADAFCO as its Chief Executive Officer in January 2008 and devised & implemented a well-crafted strategy focused on rejuvenating the Company and accelerating its growth. Under his stewardship, SADAFCO has more than doubled its turnover and quadrupled its profits and market capitalization. Wout is also a Board member in Al Hassan Ghazi Ibrahim Shaker Co, a company listed on Tadawul.

Prior to joining SADAFCO, Wout had a decade long stint at Friesland Campina, an international leader in the FMCG food sector, where he headed the Exports division and thereafter its GCC operations. Prior to that he worked in leadership roles at diverse industrial firms such as Royal van Ommeren Ceteco (a multinational trading, distribution and industrial conglomerate), DEC Flexible Technologies (a producer of HVAC components) and SPMetalWavin (then a subsidiary of Shell producing industrial & household packaging materials).

Education: Wout has graduation degrees in Naval Architecture from the "H.T.S. Dordrecht" as well as in Business Administration from The Netherlands.

Mr Ian Gowlett
Chief Financial Officer

Ian is responsible for SADAFCO's financial management, accounting and reporting practices as well as ICT management. Prior to joining SADAFCO, he has worked with Pepsi, Twinings and Taylors of Harrogate and brings with him 20 years of experience in finance in the FMCG industry.

Education: Ian graduated with a Bachelor's science degree from University of West of England (UWE). He is also a qualified Chartered Management Accountant (ACMA).

Mr Paul van Schaik
Director Organizational Development

Paul is responsible for projects enhancing the organizational development and performance across the Company. He joined SADAFCO in March 2011. His professional career spans over 30 years of which 15 years in the FMCG industry. Prior to joining SADAFCO, he worked internationally with Friesland Campina, Deloitte & Touche, Netherlands Foreign Investment Agency and KLM Royal Dutch Airlines.

Education: Paul has completed his Master's in Business Administration from University of Amsterdam.

Mr Shehzad Altaf
Director Corporate Strategy & Business Development

Shehzad is responsible for leading the development and implementation of SADAFCO's strategic objectives and engages in sensitive and value-additive business development activities. He has previously worked as Director Marketing & Trade Marketing within the organization since February 2017. Before joining SADAFCO, he spent 12 years with Royal Friesland Campina in Saudi Arabia and Ghana.

Education: Shehzad graduated in Electrical Engineering from Oklahoma University and completed his MBA from Lahore University of Management Sciences. He is also a Chartered Financial Analyst.

Mr Devasheesh Singh
Director Commercial Operations

Devasheesh is responsible for the Sales, Marketing & Trade Marketing. He joined SADAFCO in 2019. Devasheesh has more than 19 years commercial experience with him from Procter & Gamble. In particular, he has gained experience in the execution of Sales, Trade Marketing, Route to Market and Organization Development in India, Malaysia, Switzerland and lastly in Kenya from where he also managed the business in Ethiopia, Uganda and Tanzania.

Education: Devasheesh graduated with a Degree in Commerce from St Xavier's College in Kolkata, India and completed his Master's degree in Management from the Indian Institute of Management (IIM) in Lucknow, India.

The names of companies inside or outside the Kingdom of which the board member is a member in its current Board of Directors and former Boards of Directors or a Manager

Name of BOD Member	Name of current companies of the BOD Member who is a member in their boards or its directors	Inside/ Outside KSA	Legal Entity (Listed/ Unlisted/ Limited)	Name of former Companies of the BOD Member who is a member in their boards or its directors	Inside/ Outside KSA	Legal Entity (Listed/ Unlisted/ Limited)
HH Sheikh Hamad Sabah Al-Ahmad	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Kuwait Investment Project Holdings ▪ Gulf Egypt Hotels and Tourist Company	KSA Kuwait Egypt	Listed Listed Listed	▪ Burgan Bank ▪ National Mobile Company ▪ United Real Estate Company ▪ United Gulf Bank	Kuwait Kuwait Kuwait Bahrain	Listed Listed Listed Listed
Mr Faisal Hamad Mubarak Al-Ayyar	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Kuwait Investment Project Holdings ▪ United Gulf Bank ▪ Jordan Kuwait Bank ▪ Gulf Insurance Company ▪ Panther Media Group	KSA Kuwait Bahrain Jordan Kuwait UAE	Listed Listed Listed Listed Listed Limited			
Mr Abdullah Yaqoob Bishara	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Kuwait Investment Project Holdings ▪ Consulting Office for Strategic Studies	KSA Kuwait Kuwait	Listed Listed Limited	▪ United Real Estate Company ▪ North Africa Holding	Kuwait Kuwait	Listed Unlisted
Mr Saeid Ahmed Saeid Basamh	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ International Medical Center ▪ Al Khair Industries Co. for Inorganic Chemicals	KSA KSA KSA	Listed Closed listed Closed listed	▪ Basamh Group of Companies ▪ Hala Supply Chain Company ▪ IDEA International Investment & Development ▪ Future Resources Company ▪ Sorooh Al-Madinah for Real Estate Investments Co.	KSA KSA KSA KSA KSA	Limited Limited Unlisted Unlisted Unlisted
Mr Ahmed Mohamed Hamed Al-Marzouki	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Multiple Investments for Medical Services ▪ Saudi Arabian Drug Store ▪ Buruj Cooperative Insurance Company	KSA KSA KSA KSA	Listed Limited Limited Listed	▪ Swiss Premium Food ▪ Saudi New Zealand Milk Products Co.	Egypt KSA	Unlisted Limited
Mr Suleiman Saud Jarallah Al-Jarallah	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Al Jarallah for Gold & Jewellery	KSA KSA	Listed Est.			
Mr Mussad Abdullah Abdul Aziz Al-Nassar	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ SADAFCO Jordan ▪ SADAFCO Qatar ▪ SADAFCO Bahrain ▪ SADAFCO Poland sp. Z.o.o.	KSA Jordan Qatar Bahrain Poland	Listed Limited Limited SPC Limited	▪ National Buildings Real Estate ▪ United Gulfers Transport ▪ National Sights Holding ▪ Swiss Premium Food ▪ Saudi New Zealand Milk Products Co.	KSA KSA KSA Egypt KSA	Unlisted Unlisted Unlisted Unlisted Limited

Number and date of Board of Directors Meetings during the financial year (01/04/2019 to 31/03/2020)

The board had two attended meetings and passed 11 resolutions by circulation.

Name	Attended (2)		Resolution by Circulation (11)											Total
	30/09/2019	09/02/2020	24/04/2019	07/05/2019	09/05/2019	25/07/2019	07/10/2019	21/10/2019	31/10/2019	02/12/2019	30/12/2019	12/01/2020	26/01/2020	13
HH Sheikh Hamad Sabah Al-Ahmad	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mr Faisal Hamad Mubarak Al-Ayyar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mr Abdullah Yaqoob Bishara	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mr Saeid Ahmed Saeid Basamh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mr Ahmed Mohamed Hamed Al-Marzouki	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mr Suleiman Saud Jarallah Al-Jarallah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13
Mr Mussad Abdullah Abdul Aziz Al-Nassar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	13

The last Extraordinary General Meeting (EGM) was held on 03rd December 2019

Share Ownership of Board of Directors, Spouses and Minor Children

	Name	1st April 2019	31st March 2020	% Change (+/-)
1.	HH Sheikh Hamad Sabah Al-Ahmad Representing: United Industries Company	1,000	1,000	-
2.	Mr Faisal Hamad Mubarak Al-Ayyar Representing: United Gulf Bank	1,000	1,000	-
3.	Mr Abdullah Yaqoob Bishara	1,000	1,000	-
4.	Mr Saeid Ahmed Saeid Basamh Representing: Alsamh Trading Co.	3,798,008	3,798,008	-
5.	Mr Ahmed Mohamed Hamed Al-Marzouki	22,250	21,000	-5.62
6.	Mr Suleiman Saud Jarallah Al-Jarallah	1,000	1,000	-
7.	Mr Mussad Abdullah Abdul Aziz Al-Nassar	11,000	11,000	-

Share Ownership of Executive Management Team, Spouses and Minor Children

	Name	1st April 2019	31st March 2020	% Change (+/-)
1.	Mr Waltherus Matthijs	3,500	3,500	-
2.	Mr Paul van Schaik	0	0	-
3.	Mr Shehzad Altaf	0	0	-
4.	Mr Ian Gowlett	0	0	-
5.	Mr Devasheesh Singh	0	0	-

The Board of Directors and Executive Management team members, their spouses and children do not have any rights or preference shares or debt instruments relating to the Company or any of its Subsidiaries.

1) The Audit Committee

Competencies, powers and responsibilities of the Audit Committee

The Audit Committee shall be competent in monitoring the Company's activities and ensuring the integrity and effectiveness of the reports, financial statements and internal control systems. The duties of the audit committee shall particularly include the following:

a) Financial Reports:

1) Analysing the Company's interim and annual financial statements before presenting them to the Board and providing its opinion and recommendations thereon to ensure their integrity, fairness and transparency;

2) Providing its technical opinion, at the request of the Board, regarding whether the Board's report and the Company's financial statements are fair, balanced, understandable, and contain information that allows shareholders and investors to assess the Company's financial position, performance, business model, and strategy;

3) Analysing any important or non-familiar issues contained in the financial reports;

4) Accurately investigating any issues raised by the Company's chief financial officer or any person assuming his/her duties or the Company's compliance officer or external auditor;

5) Examining the accounting estimates in respect of significant matters that are contained in the financial reports; and

6) Examining the accounting policies followed by the Company and providing its opinion and recommendations to the Board thereon.

7) The committee will review with Executive Management and External & Internal Auditors separately the following:

   - Any major difference between management and independent auditor or internal audit administration relating to preparation of financial statement
   - Any difficulties aroused during audit (including any instructions) to the scope of work or reaching to the required information

8) The committee should discuss with Auditor without attendance of the management, their decision of the quality and relevance and acceptability to the Company's accounting principles and disclosure practices as followed currently by the Company when issuing the financial reports.

b) Internal Audit:

1) Examining and reviewing the Company's internal and financial control systems and risk management system;

2) Analysing the internal audit reports and following up the implementation of the corrective measures in respect of the remarks made in such reports;

3) Monitoring and overseeing the performance and activities of the Internal Auditor and Internal Audit department of the Company, if any, to ensure the availability of the necessary resources and their effectiveness in performing the assigned activities and duties. If the Company has no Internal Auditor, the committee shall provide a recommendation to the Board on whether there is a need to appoint an Internal Auditor.

4) Providing a recommendation to the Board on appointing the manager of the Internal Audit unit or department, or the Internal Auditor and suggest his/her remunerations.

c) External Auditor:

1) Providing recommendations to the Board to nominate External Auditors, dismiss them, determine their remunerations, and assess their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts;

2) Verifying the independence of the External Auditor, its objectivity, fairness, and effectiveness of the audit activities, taking into account the relevant rules and standards;

3) Reviewing the plan of the Company's External Auditor and its activities, and ensuring that it does not provide any technical or administrative works that are beyond its scope of work, and provides its opinion thereon;

4) Responding to queries of the Company's External Auditor; and

5) Reviewing the External Auditor's reports and its comments on the financial statements, and following up the procedures taken in connection therewith.

d) Ensuring Compliance:

1) Reviewing the findings of the reports of supervisory authorities and ensuring that the Company has taken the necessary actions in connection therewith;

2) Ensuring the Company's compliance with the relevant laws, regulations, policies and instructions;

3) Reviewing the contracts and proposed Related Party transactions, and providing its recommendations to the Board in connection therewith; and

4) Reporting to the Board any issues in connection with what it deems necessary to take action on, and providing recommendations as to the steps that should be taken.

The committee held two attended meetings and five resolutions were passed by circulation.

Audit Committee Members and their Meetings during 2019-20:

Name	Capacity	Attended (2)		By Circulation (5)					Total
		30/09/2019	09/02/2020	21/04/2019	24/04/2019	01/05/2019	24/07/2019	26/01/2020	7
Mr Faisal Hamad Mubarak Al-Ayyar	Chairman	✓	✓	✓	✓	✓	✓	✓	7
Mr Tariq Mohammad Abdulsalam	Member	✓	✓	✓	✓	✓	✓	✓	7
Mr Ahmed Mohamed Hamed Al-Marzouki	Member	✓	✓	✓	✓	✓	✓	✓	7

2) The Nomination and Remuneration Committee

The Nomination and Remuneration Committee consists of three members.

Competencies of the Nomination and Remuneration Committee

The competences of the Nomination and Remuneration Committee are:

A. Remunerations:

1) Preparing a clear policy for the remunerations of the Board Members and its committees and the Executive Management, and presenting such policy to the Board in preparation for approval by the General Assembly, provided that such policy follows standards that linked to performance, and disclosing and ensuring the implementation of such policy;
2) Clarifying the relation between the paid remunerations and the adopted remuneration policy and highlighting any material deviation from that policy.
3) Periodically reviewing the remuneration policy and assessing its effectiveness in achieving its objectives; and
4) Providing recommendations to the Board in respect of the remunerations of its members, the Committee Members and Senior Executives, in accordance with the approved policy.

B. Nominations:

1) Suggesting clear policies and standards for membership of the Board and the Executive Management;
2) Providing recommendations to the Board for the nomination or re-nomination of its members in accordance with approved policies and standards, taking into account that nomination shall not include any person convicted of a crime involving moral turpitude or dishonesty;
3) Preparing a description of the capabilities and qualifications required for membership of the Board and Executive Management positions;
4) Determining the amount of time that the member shall allocate to the activities of the Board;
5) Annually reviewing the skills and expertise required of the Board Members and the Executive Management;
6) Reviewing the structure of the Board and the Executive Management and providing recommendations regarding changes that may be made to such structure;
7) Annually ensuring the independence of Independent Directors and the absence of any conflicts of interest if a Board Member also acts as a member of the Board of Directors of another company;
8) Providing job descriptions for the Executive, Non-Executive and Independent Directors and the Senior Executive Management;
9) Setting procedures to be followed if the position of a member of the Board or a Senior Executive becomes vacant; and
10) Determining the strengths and weaknesses of the Board and recommending remedy solutions that serve the Company's interests.
11) Setting a mechanism for training the new board members and introducing them to the company duties and activities, to enable them to perform their work competently.
12) Analyzing and reviewing the company organizational structure and reviewing the Executive Management and the company senior executives' performance.

In addition to the above-mentioned duties, Remuneration and Nomination Committee has the right to:

1) Investigate and enquire any subject within its duties and specialties or any subject requested by the board.
2) Review the company records and documents and requesting any clarification or indication from the board or executive management members or the company employees, for the purpose of inquiry about any information.

3) The committee may seek assistance from any experts or specialists, whether internal or external, within the scope of its powers. This shall be included in the minutes of the committee meeting; the minutes states the name of the expert and his relation to the Company or its Executive Management, and the company may request the attendance of any employee, manager, the company lawyers, or the independent auditors, for holding a meeting with the committee or with any of its members or consultants.

The committee held two attended meetings and two resolutions were passed by circulation.

Nomination and Remuneration Committee Members, Meetings and Resolutions during 2019-20

Name	Capacity	Attended (2)		By Circulation (2)		Total
		30/09/2019	09/02/2020	18/04/2019	22/07/2019	4
Mr Suleiman Saud Jarallah Al-Jarallah	Chairman	✓	✓	✓	✓	4
Mr Faisal Hamad Mubarak Al-Ayyar	Member	✓	✓	✓	✓	4
Mr Tariq Mohammad Abdulsalam	Member	✓	✓	✓	✓	4

The procedures performed by the Board of Directors to inform its members – especially the Non-executives – about the suggestions and remarks of the shareholders regarding the Company and its performance.

Remarks, suggestions, and questions raised by the shareholders shall be recorded in the Ordinary/ Extraordinary General Assembly's minutes. The answers for their queries shall be recorded in the minutes and followed-up with the implementation of any applicable suggestion with the Company's Executive Management. These suggestions shall be represented during the Board meetings following the General Assemblies of the Company and shall be discussed among its members.

Performance Assessment of the Board of Directors

The Board of Directors shall encourage its members to perform their duties effectively to achieve the Company's purpose through convening meetings and circular resolutions, whenever it deems necessary to review specific matters or any requests by the Executive Management to the Board in order to make decisions thereof. Assemblies and circular resolutions may be convened as necessity arises.

The Board shall effectively discuss all essential matters, allocate appropriate time, improve the Company's strategy, and monitor the Company's performance to achieve its objective in accordance with its approved annual budget by the Board. The Executive Management shall provide periodic reports for the Company performance to the Board, furthermore, the Board shall ensure compliance with its competences and duties in conformity with the Companies' Law, Capital Market Law and its Executive Regulations, the Company's Bylaw, and any related laws.

The Board shall oversee the process of updating and improving the Company's Governance rules.

The Nomination & Remuneration Committee of the Board shall assess the performance of the Board, its members, its committees, and the Executive Management using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.

Details of the General Assembly meetings held during the last financial year and the names of the members of the Board of Directors present

Attendance record:

	Name	AGM 11/06/2019	EGM 03/12/2019
1.	Mr Mussad Abdullah Abdul Aziz Al-Nassar	✓	✓
2.	Mr Ahmed Mohamed Hamed Al-Marzouki	✓	✓
3.	Mr Suleiman Saud Jarallah Al-Jarallah	✓	✓
4.	Mr Saeid Ahmed Saeid Basamh	✓	×

Extraordinary General Assembly Meeting 11/06/2019:

- H.H Sheikh Hamad Sabah Al Ahmed represented by Mr Mussad Al Nassar by proxy
- Mr Faisal Hamad Mubarak Al Ayyar represented by Mr Ahmed Mohamed Hamed Al-Marzouki by proxy
- Mr Abdullah Y. Bishara represented by Mr Suliman Saud Al Jarallah by proxy

Extraordinary General Assembly Meeting 03/12/2019:

- H.H Sheikh Hamad Sabah Al Ahmed represented by Mr Mussad Al Nassar by proxy
- Mr Faisal Hamad Mubarak Al Ayyar represented by Mr Ahmed Mohamed Hamed Al-Marzouki by proxy

Number of CDs requested during the period from 1st April 2019 to 31st March 2020 and dates & reasons for requesting.

No. of Request	Date of Request	Reason
1	12/06/2019	Dividend
1	10/11/2019	Other
1	24/11/2019	General Assembly Meeting
1	04/12/2019	Dividend
1	18/12/2019	Dividend

Details of **Compensation and Remuneration**

Board Members

	Fixed Remuneration (SAR)							**Variable Remuneration** (SAR)								
	A certain amount	**Attendance allowance for board meetings**	**Total Committees attendance allowance**	**In-kind benefits**	**Details of board members earnings as workers or administrative or other earnings for technical, administrative and consultant services or technical services**	**Remuneration of Chairman or Managing Director or BOD Secretary if he is a member**	**Total**	**% of profit**	**Periodic Remuneration**	**Short term motivational plans**	**Long term motivational plans**	**Given Shares (value)**	**Total**	**End of Service Benefit** (SAR)	**Grand Total** (SAR)	**Expenses Allowance** (SAR)
Independent Members																
Mr Abdullah Yaqoob Bishara	400,000						400,000								400,000	
Mr Ahmed Mohamed Hamed Al-Marzouki	400,000		20,000				420,000								420,000	
Mr Suleiman Saud Jarallah Al-Jarallah	400,000		20,000				420,000								420,000	
Total	**1,200,000**		**40,000**				**1,240,000**								**1,240,000**	
Non-Executive Members																
HH Sheikh Hamad Sabah Al-Ahmad	400,000						400,000								400,000	
Mr Faisal Hamad Mubarak Al-Ayyar	400,000		40,000				440,000								440,000	
Mr Saied Ahmed Saied Basamh	400,000						400,000								400,000	
Total	**1,200,000**		**40,000**				**1,240,000**								**1,240,000**	
Executive Members																
Mr Mussad Abdullah Abdul Aziz Al-Nassar	400,000				503,796		903,796							49,258	953,054	248,161
Total	**400,000**				**503,796**		**903,796**							**49,258**	**953,054**	**248,161**

Executive Management Remuneration for Six Members including CEO and CFO

	Fixed Remuneration (SAR)				Variable Remuneration (SAR)								
	Salaries	Allowances	In-kind Benefits	Total	Periodic Remuneration	Dividends	Short term plan incentives	Long term plan incentives	Given Shares (Value)	Total	End of Service benefit	Total Remuneration of BOD Executive if any	Total (SAR)
No. of staff (6)	5,400,184	1,445,233		6,845,417			2,619,106	2,579,141		5,198,247	500,037		12,543,701
Total	**5,400,184**	**1,445,233**		**6,845,417**			**2,619,106**	**2,579,141**		**5,198,247**	**500,037**		**12,543,701**

Audit Committee Remuneration

	Member	Fixed remuneration (except for the allowance for attending meetings)	Allowance for attending the meetings	Total (SAR)
1.	Mr Faisal Hamad Mubarak Al-Ayyar		20,000	20,000
2.	Mr Tariq Mohammad Abdulsalam		20,000	20,000
3.	Mr Ahmed Mohamed Hamed Al-Marzouki		20,000	20,000
	Total		**60,000**	**60,000**

Remuneration for Nomination & Remuneration Committee

	Member	Fixed remuneration (except for the allowance for attending meetings)	Allowance for attending the meetings	Total (SAR)
1.	Mr Faisal Hamad Mubarak Al-Ayyar		20,000	20,000
2.	Mr Tariq Mohammad Abdulsalam		20,000	20,000
3.	Mr Suleiman Saud Jarallah Al-Jarallah		20,000	20,000
	Total		**60,000**	**60,000**

Major Shareholders Owning 5% or more and Changes during the Financial Year

	Name	Number of Shares on 1st April 2019	Number of Shares on 31st March 2020	Percentage Ownership on 1st April 2019	Percentage Ownership on 31st March 2020	% Change (+/-)
1.	Al Qurain Petrochemicals Industries Company	13,036,461	13,036,461	40.11%	40.11%	-
2.	Al-Samh Trading Co Ltd	3,798,008	3,798,008	11.68%	11.68%	-

Annual Internal Audit Results Review of the Effectiveness of the Internal Control Procedures

The Board has approved the annual risk-based internal audit plan and ensured its timely and effective implementation. The Internal Audit (IA) department reviews the adequacy, efficiency and effectiveness of the internal control systems and ensures that such systems are being properly implemented. This is accomplished as part of the approved risk-based audit annual plan and executed throughout the year. The Board also ensures that management is taking action on reported issues, including the introduction of policies and procedures, which will enhance controls. Management is implementing an effective and systemic Risk Management process, and is reporting results to the board of directors on a quarterly basis.

Based on the work of the internal and external auditors and the conclusions contained in their audit reports issued during the current year and management's representation with respect to the effectiveness of the Company's internal and financial control systems, no major control issues that require disclosure have been noted and thus the Board believes that these systems are effectively run. It should be noted that management is working on updating the (business continuity plan) as a result of certain personnel related changes.

Related Party Transactions

The Company enters into transactions with related parties using the same criteria applied to all 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 (CMA) and the Ministry of Commerce and Investment (MOCI) in this regard. Transactions with these parties require disclosure.

Below are the related party transactions.

Company Name	Country	Nature of Transaction	Value (SAR million)	Closing Balance (SAR million)
Buruj Co-Op Insurance Company	KSA	Insurance Services	11.20	2.28

SADAFCO entered into a one year contract with Al Buruj Cooperative Insurance Company (offering insurance services) starting on 1st July 2019 and ending on 30th June 2020 as its offer was the most suitable in terms of the price and benefits. Mr Faisal Hamad Al-Ayyar (Vice Chairman of SADAFCO), is the Vice Chairman of the Gulf Insurance Company owning 28.5% in Al Buruj Cooperative Insurance Company (indirect interest).

Effective 9th March 2019, Mr Ahmed Mohamed Hamed Al-Marzouki (Board Member of SADAFCO) was elected as Board Member of Buruj Cooperative Insurance Company.

The SADAFCO Shareholders General Assembly meeting held on 11th June 2019 approved the transaction with Buruj Cooperative Insurance Company.

Company Name	Country	Nature of Transaction	Value (SAR million)	Closing Balance (SAR million)
PKC Advisory	India	Consultation Services	0.86	-

SADAFCO had a consultancy contract with PKC Advisory for various business advisory services for the period of one year during 2019/2020. SADAFCO and PKC Advisory are part of Kuwait Investment Projects Company (KIPCO) Group. Sheikh Hamad Sabah Al Ahmed and Mr Faisal Hamad Al-Ayyar are the Chairman and Vice Chairman of both SADAFCO and KIPCO. Mr Abdullah Yagoub Bishara is also BOD Member of both KIPCO and SADAFCO (indirect interest).

Company Name	Country	Nature of Transaction	Value (SAR million)	Closing Balance (SAR million)
United Gulf bank	Bahrain	Bank deposit	50.63	-

During the year, SADAFCO placed a deposit for 35 days of SAR 50.63 million in equivalent US dollar with United Gulf Bank (UGB) Bahrain at a rate higher than the market rates. Mr Faisal Hamad Al-Ayyar is the Vice Chairman of both SADAFCO & UGB. (indirect interest)

SADAFCO's Dividend Distribution Policy

a) According to Article 50 of the Company bylaws, the Company's annual net profits shall be distributed as follows:

1. 10% of the net profits are to be set aside to form the Company's statutory reserve. The Ordinary General Assembly may choose to stop this reserve once it reaches 30% of the capital paid.
2. The Ordinary General Assembly based on the proposal of the Board may set aside (10%) of the net profits to form voluntary reserve to be allocated to the determined objective or objectives as per the resolution made by the Shareholders Ordinary General Assembly.
3. The Ordinary General Assembly may resolve to form other reserves to meet the interests of the Company, or to ensure the distribution of fixed dividends for shareholders, as possible. The mentioned assembly may likewise deduct amounts from the net profits to establish social institutions for the Company's employees or to assist the performance of such institutions.
4. The balance thereafter shall be distributed among the shareholders in a proportion representing (5%) of the paid-up capital.
5. Subject to the provisions laid down in Article 24 of the Company Bylaws, and Article 76 of the Companies' Law, a proportion of (10%) of the balance shall thereafter be allocated to remunerate the Board of Directors, provided that the remunerations and financial benefits for each BOD member shall not exceed SAR 500,000.

b) Distribution of Interim Dividends:

The Company may distribute interim dividends to its shareholders on a bi-annual or quarterly basis after fulfilling the following legal requirements:

1. The issuance of annual resolution by the General Assembly authorizing the Board to distribute interim dividends.
2. The Company should be generating profits on a regular basis and be able to reasonably foresee the scale of its profits.
3. The Company should have a sound liquidity position,
4. The Company shall have distributable profits based on the latest audited financial statements. These profits should be sufficient to cover the proposed dividend distribution, after deducting the amounts already distributed as cash dividends or capitalized as stock dividends, after the date of these financial statements.

In addition to any official requirements that may be requested by any concerned bodies in KSA.

	% Dividends during the financial year from 01/04/2019 to 31/03/2020		Total Dividend
	1st Half Year Dividend	Final Dividend recommended for distribution	
%	25%	25%	50%
Total (SAR million)	**81.25**	**81.25**	**162.50**

Note: On 11/06/2019, General Assembly Meeting approved distribution of SAR 2/ share (SAR 65 million) representing 20% of the Share Capital for the financial year ended 31/03/2019.

Major Decisions and Future Plans

New Ice Cream Factory

During Q3 2019/20, SADAFCO completed an agreement to purchase a facility adjacent to our existing milk production facility in Jeddah. This facility will be converted over the next year into a new production site not only to support future volume growth being delivered but also aid in new product format launches. We believe that the new facility will enable us to at least triple our existing business in the future and the larger site will enable more productive design of layouts thereby driving greater efficiency improvements. We believe cost of the new facility will support sales growth plans.

Jeddah Central Warehouse Project

The new Jeddah Central Warehouse (JCW) commenced operations in April 2019. On average, its 42,000 pallet space capacity is now between 55% and 60% utilized. As volume increases in the future, leverages savings are projected to accrue to the bottom line, in addition to delivery of improved product quality for consumers, better availability and more efficient depot utilization.

Buyback of Treasury Shares

No. of Shares	Value	Date of Purchase	Details of Use
500,250	SAR 51.6Mln	19, 26, 27 & 28 Feb 2019	Treasury Shares

At an Extraordinary General Assembly Meeting (EGM) of SADAFCO held on 18th December 2018 the shareholders approved the purchase of up to 10% of company shares to be used as treasury shares. Any purchases can be made in one or several phases, within a maximum period of twelve (12) months, following the EGM. The EGM also approved to hold the purchased treasury shares for a period up to 5 years. A subsequent resolution was passed at an EGM held on 3rd December 2019, extending the buyback window by another 12 months. As at 31st March 2020 SADAFCO purchased 500,250 shares, at a cost of SAR 51.6 million.

Future Investments

The Company continues to invest in future growth and is continuously evaluating new opportunities. Any concrete development will be announced as and when necessary.

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

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk.

The sensitivity analyses in the following sections relate to the position as at 31st March 2020.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At 31st March 2020 and 2019, the Group does not have any borrowings and accordingly no interest rate risk sensitivity is presented. Further, interest rate risk related to murabaha short-term bank deposits, contingent consideration and non-controlling put option is immaterial as at 31st March 2020 and 2019.

ii) Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Group's functional currency. During the year, the Group's transactions were in Saudi Riyals, Bahraini Dinars, Polish Złoty, Kuwaiti Dinars, Jordanian Dinars, Euros and United States Dollars.

The Group's exposure to currency risk arising from currencies that are not pegged to Saudi Riyals is not material to these consolidated financial statements. The Group is not significantly exposed to fluctuations in foreign exchange rates during its ordinary course of business as significant transactions of the Group, during the year were either in Saudi Riyals or US Dollars.

iii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities i.e. deposits with banks and financial institutions.

(a) Trade receivables

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

At 31st March 2020, the Group had 5 customers that accounted for approximately 44% (31st March 2019: 44%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 82% in KSA, 7% in GCC (other than KSA) and 11% in other countries. Due to short term nature of the trade receivable, their carrying amount is considered to be the same as their fair value.

The requirement for an impairment is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. A significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment. A default on a trade receivable is when the counterparty fails to make contractual payments within 90 days of when they fall due. The Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the consolidated statement of profit or loss. The Group writes off financial assets, in a whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customer base is diversified.

Cash at banks are placed with banks with sound credit ratings. Security and other deposits are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management impairment assessment, there is no provision required in respect of these balances for years presented.

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

The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

(b) Cash and cash equivalents

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

Credit risk on bank balances is limited as cash balances are held with banks with sound credit ratings ranging from A3 and above.

iv) Liquidity risk

The Group monitors its liquidity risk by regular working capital excess/shortage assessment and ensuring that it has adequate liquidity to fund its day to day operations. Where necessary, the Group may enter into overdraft facility with banks in order to ensure continued funding of operations.

Fines Imposed on SADAFCO

Fines/penalties imposed on the Company during the financial year 2019-2020.

During the year Capital Market Authority (CMA) imposed on SADAFCO a fine of SAR 100,000 for non-compliance of certain clauses of CMA regulations whilst transacting the share buy back in February 2019. The company has filed an appeal, which is currently pending with CMA's Committee for the Resolution of Securities Disputes (CRSD).

Declarations

SADAFCO declares and confirms the following:

1) Its accounts have been prepared in accordance with correct procedures.
2) The internal auditing has been prepared on a sound basis and has been implemented effectively.
3) 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 Company's by-laws, Companies Law and other relevant ministerial resolutions and Company Law (not already included in SADAFCO's by-laws).
6) None of the BOD members and senior management, including the CEO and CFO, their spouses or children owns any shares in affiliate companies; and no contracts were issued where any of them had a material interest other than those transactions disclosed in this Board Report.
7) No loans were made to any Board Member; SADAFCO has not guaranteed any loans made by any Board or Executive Management Team member.
8) No shareholder waivered his/ her rights to dividends or other material benefits and none of the Board of Directors and Executive Management Team members waived their right to receive any salary or compensation.
9) All the shares are common stock with equal voting and other rights in accordance with the law. There are neither preferential shares nor shares with special voting rights outstanding; whether for shareholders, board members, executive managers or its employees.
10) Following the review and audit of the consolidated financial statements by PricewaterhouseCoopers, it was reported that SADAFCO's consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA"). The External Auditors' report was issued without reservation. The consolidated financial statements were found to be a true and fair reflection of the SADAFCO's financial position and in line with the requirements of Regulations of Companies and SADAFCO articles of association.
11) There is no transaction in the nature of a bargain between the company and any related party.
12) The Company does not implement any stock options and has not issued any convertible debt instruments.
13) The Company has not set up any reserves or investments for the benefit of its employees.
14) The Company acquired treasury shares during the year.
15) The company nor any of its affiliates do not have any redeemable debt instruments.
16) No convertible debt instruments, contractual securities, warrants or any similar rights issued or granted by the Company, nor has the Company received any compensation.
17) No conversion or subscription rights under convertible debt instruments, contractual securities or warrants issued or granted by the Company.

Corporate governance articles unimplemented and the reasons

Article/Sub Article	Details of Article / Sub Article	Reasons
20/C/10	If he/she served for more than nine years, consecutive or inconsecutive, as a Board member of the Company	Mandatory "starting from the term of the listed company's board that will be after 1/1/2019. This article will be complied with the formation of new board from 1st April 2021.
32/B	The Board shall convene no less than four meetings per year, and no less than one meeting every three months.	Guiding article.
54/b	The Chairman of the Audit Committee shall be an Independent Director.	Guiding article.
57/a	The Audit Committee shall convene periodically, provided that at least four meetings are held during the Company's financial year.	Audit committee had two attended meetings and five resolutions by circulation.
70	**Composition of the Risk Management Committee** The Company's Board shall, by resolution therefrom, form a committee to be named the "Risk Management Committee". Chairman and majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.	Guiding Article. Risk management is undertaken by Audit Committee.
71	**Competencies of the Risk Management Committee** The competences of the Risk Management Committee shall include the following: 1) Developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors; 2) Determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level; 3) Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months; 4) Overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company to determine areas of inadequacy therein; 5) Regularly reassessing the Company's ability to take risks and be exposed to such risks (through stress tests as an example); 6) Preparing detailed reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board; 7) Providing recommendations to the Board on matters related to risk management; 8) Ensuring the availability of adequate resources and systems for risk management; 9) Reviewing the organizational structure for risk management and providing recommendations regarding the same before approval by the Board; 10) Verifying the independence of the risk management employees from activities that may expose the Company to risk; 11) Ensuring that the risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk; and 12) Reviewing any issues raised by the audit committee that may affect the Company's risk management.	Guiding Article. Risk management is undertaken by Audit Committee.
72	**Meetings of the Risk Management Committee** The Risk Management Committee shall convene periodically at least once every six months, and as may be necessary.	Guiding Article. Risk management is undertaken by Audit Committee.

Article/Sub Article	Details of Article / Sub Article	Reasons
85	**Employee Incentives** The Company shall establish programs for developing and encouraging the participation and performance of the Company's employees. The programs shall particularly include the following: 1) Forming committees or holding specialized workshops to hear the opinions of the Company's employees and discuss the issues and topics that are subject to important decisions; 2) Establishing a scheme for granting Company shares or a percentage of the Company profits and pension programs for employees, and setting up an independent fund for such programs; and 3) Establishing social organizations for the benefit of the Company's employees.	Guiding article.
87	**Social Responsibility** The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community	Guiding article.
88	**Social Initiatives** The Board shall establish programmes and determine the necessary methods for proposing social initiatives by the Company, which include: 1) Establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities; 2) Disclosing the objectives of the Company's social responsibility to its employees and raising their awareness and knowledge of social responsibility; 3) DisclDisclosing plans for achieving social responsibility in the periodical reports on the activities of the Company's; and 4) Establishing awareness programs to the community to familiarize them with the Company's social responsibility.	Guiding article.
95	**Formation of a Corporate Governance Committee** If the Board forms a Corporate Governance Committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.	Guiding article. Corporate Governance is the responsibility of a team comprising of representatives from legal, finance, investor relations departments and executive management.

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

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020
AND INDEPENDENT AUDITOR'S REPORT

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020

Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO)

Report on the audit of the consolidated financial statements

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Saudia Dairy & Foodstuff Company (SADAFCO) (the "Company") and its subsidiaries (together the "Group") as at March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of profit or loss for the year ended March 31, 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at March 31, 2020;
- the consolidated statement of changes in equity for the year ended March 31, 2020;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Key audit matters	• Adoption of International Financial Reporting Standard 16 'Leases' (IFRS 16); and • Carrying value of Mlekoma Group goodwill at the year end

PricewaterhouseCoopers, License No. 25,
Jameel Square, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
T: +966 (12) 610-4400, F: +966 (12) 610-4411, www.pwc.com/middle-east

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Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO) (continued)

Our audit approach (continued)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Adoption of International Financial Reporting Standard 16 'Leases' (IFRS 16) The Group adopted IFRS 16 'Leases' with effect from April 1, 2019. This new standard supersedes the requirements of International Accounting Standard 17 'Leases' (IAS 17). IFRS 16 represents a significant change in accounting for leases which had previously been classified as "operating leases" under the principles of IAS 17. IFRS 16 principally modifies the accounting treatment of such operating leases at inception, by recognizing as of April 1, 2019 both a right-of-use asset and a corresponding liability for the amount of lease payments over the term of the lease contract discounted using lessee's incremental borrowing rate ("IBR"). The IBR method is used where the implicit rate of interest in a lease is not readily determinable.	We performed the following procedures in relation to the Group's implementation of IFRS 16: • Reviewed management's assessment of the impact of IFRS 16 in terms of the classification and measurement of its right-of-use assets and lease liabilities, and understood the approach taken towards implementation. • Tested completeness of the lease register by testing the reconciliation of the lease liabilities recognised at April 1, 2019 to the Group's operating lease commitments as at March 31, 2019. Also tested management's assessment of contracts on a sample basis for inclusion or exclusion of leases at the adoption date. • Tested the accuracy of lease data on a sample basis by testing lease data captured by management through inspection of lease documents.

Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO) (continued)

Our audit approach (continued)

Key audit matter	How our audit addressed the Key audit matter
Management performed a detailed analysis of each lease contract in existence at April 1, 2019 to identify how each lease would be affected by differences between the requirements of the two standards, identify changes required to be made to existing accounting policies and determine transition adjustments and consequential changes to processes and controls required particularly in connection with identification of whether an arrangement meets the definition of a lease. The Group has adopted IFRS 16 retrospectively from April 1, 2019 but has not restated comparatives for the year ended March 31, 2019, as permitted under the specific transitional provisions in IFRS 16. Accordingly, this resulted in recognition of right-of-use assets of Saudi Riyals 68.4 million as at April 1, 2019 and lease liabilities of Saudi Riyals 64.9 million as of that date. Management also assessed the disclosure requirements of the new standard to be made in the accompanying consolidated financial statements. We considered this to be a key audit matter because the calculations of amounts underlying the right-of-use assets and the corresponding lease liabilities involve new processes for collecting data, complex rules and the application of management judgement relating to the terms of the various lease contracts and the discount rate to be applied. *Refer to Note 2.3.3, which explains the impact of the adoption of the new accounting standard, Note 3.12 for the accounting policy and Note 14 for the related disclosures in the accompanying consolidated financial statements.*	• Tested lease schedules, on a sample basis, by recalculating the amounts underlying the right-of-use assets and lease liabilities, based on terms of the lease contracts and traced prepaid and accrued expenses. We also tested the arithmetical accuracy of those individual lease schedules and how these accumulated into the total adjustment applied in the accompanying consolidated financial statements as at April 1, 2019. • Assessed the appropriateness of the discount rates used in the computation of lease liabilities. We also reviewed the adequacy and appropriateness of the disclosures included in the accompanying consolidated financial statements in relation to the implementation of the new standard.

Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO) (continued)

Our audit approach (continued)

Key audit matter	How our audit addressed the Key audit matter
Carrying value of Mlekoma Group goodwill at the year end As at March 31, 2020, the Group had goodwill amounting to Saudi Riyal 18.7 million, which arose on the acquisition of a total stake of 76% in Mlekoma group ("Mlekoma") on July 2, 2018, through SADAFCO Poland, a wholly owned subsidiary of the Group. In accordance with accounting standard IAS 36, "Impairment of assets", an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment. Goodwill is monitored by management at the level of cash-generating units ("CGUs"), which are the primary operating elements of the business concerned. Management carried out an impairment exercise in respect of goodwill allocated to Mlekoma by determining a recoverable amount based on value-in-use discounted cash flow model, which utilized the most recent five-year business plan prepared by SADAFCO's management. The outcome of this exercise did not result in any impairment loss to be recognized. We considered impairment testing of goodwill performed by management to be a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment were: (a) assumptions concerning the expected economic conditions, especially growth in the markets in which Mlekoma primarily operates; and (b) discount rate used in the value-in-use cash flow model. *Refer to Note 15 for estimates, judgements and assumptions made in applying accounting policies and for the related disclosures.*	We assessed management's impairment assessment of goodwill by performing the following procedures: • Assessed the methodology used by management to determine the recoverable value based on the value-in-use and compared it to that required by IAS 36. We also tested the arithmetical accuracy and logical integrity of the underlying calculations in the model. • Tested the accuracy and relevance of the input data by reference to supporting evidence, such as approved business plan and considered the reasonableness of five-year business plan by comparison to the Group's historical results and performance against budgets. • Engaged our valuation experts to assist in the review of the methodology of the value-in-use calculations and use of certain assumptions including discount rates and long-term growth rates. • Performed sensitivity analyses over key assumptions, principally sales growth rate, terminal value multiple and discount rates, in order to assess the potential impact of a range of possible outcomes. We also reviewed the adequacy and appropriateness of the disclosures included in Note 15 to the accompanying consolidated financial statements in relation to testing goodwill for possible impairment.

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Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO) (continued)

Other information

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

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

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

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

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

The Group's audit committee is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report to the shareholders of Saudia Dairy & Foodstuff Company (SADAFCO) (continued)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Mufaddal A. Ali
License Number 447

May 3, 2020

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

	Note	Year ended March 31, 2020	2019
Revenue – net	6	**2,056,091**	1,812,960
Cost of revenue	8	**(1,366,912)**	(1,232,662)
Gross profit		**689,179**	580,298
Selling and distribution expenses	9	**(300,646)**	(266,088)
General and administrative expenses	10	**(100,767)**	(92,228)
Impairment losses on financial assets	18	**(14,220)**	(1,502)
Other operating income		**2,556**	1,159
Operating profit		**276,102**	221,639
Finance income		**11,410**	11,711
Finance costs		**(3,817)**	-
Profit before zakat		**283,695**	233,350
Zakat expense	23	**(18,583)**	(17,240)
Profit for the year		**265,112**	216,110
Profit is attributable to:			
Owners of SADAFCO		**266,260**	218,387
Non-controlling interests		**(1,148)**	(2,277)
		265,112	216,110
Earnings per share:			
Basic and diluted earnings per share attributable (Saudi Riyals) to owners of SADAFCO	12	**8.32**	6.73

The notes from 1 to 31 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar Member Board of Directors	Waltherus Cornelis Petrus Matthijs Chief Executive Officer	Ian David Gowlett Chief Financial Officer

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

	Note	Year ended March 31, 2020	2019
Profit for the year		**265,112**	216,110
Other comprehensive (loss) / income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(437)**	976
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	27	**(2,068)**	3,207
Other comprehensive (loss) / income for the year		**(2,505)**	4,183
Total comprehensive income for the year		**262,607**	220,293
Total comprehensive income for the year is attributable to:			
Owners of SADAFCO		**262,382**	222,384
Non-controlling interests		**225**	(2,091)
		262,607	220,293

The notes from 1 to 31 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Ian David Gowlett
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

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

	Note	As at March 31, 2020	2019
Assets			
Non-current assets			
Property, plant and equipment	13	**797,525**	787,021
Right-of-use assets	14	**72,164**	-
Intangible assets	15	**26,133**	28,713
Other non-current assets		**5,646**	4,904
		901,468	820,638
Current assets			
Inventories	17	**357,627**	277,417
Trade and other receivables	18	**215,968**	192,792
Deposits, prepayments and other assets	19	**53,567**	42,840
Cash and cash equivalents	20	**645,839**	582,055
		1,273,001	1,095,104
Total assets		**2,174,469**	1,915,742
Liabilities			
Non-current liabilities			
Employee benefit obligations	27	**113,041**	109,576
Lease liabilities	14	**57,174**	-
Non-controlling interest put option and other liabilities	16	**29,330**	27,933
		199,545	137,509
Current liabilities			
Trade and other payables	24	**221,172**	198,086
Accruals and other liabilities	25	**243,052**	200,955
Due to related parties	26	**2,281**	2,067
Current portion of lease liabilities	14	**12,151**	-
Dividends payable		**3,475**	3,077
Zakat payable	23	**16,327**	16,189
		498,458	420,374
Total liabilities		**698,003**	557,883
Equity			
Issued share and paid up capital	21	**325,000**	325,000
Statutory reserve	21	**162,500**	162,500
Other reserve	21	**256,388**	229,762
Treasury shares	21	**(51,559)**	(51,559)
Foreign currency translation reserve		**(2,335)**	(525)
Retained earnings		**766,833**	673,267
Equity attributable to owners of SADAFCO		**1,456,827**	1,338,445
Non-controlling interests		**19,639**	19,414
Total equity		**1,476,466**	1,357,859
Total liabilities and equity		**2,174,469**	1,915,742

The notes from 1 to 31 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Ian David Gowlett
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

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

	Attributable to owners of SADAFCO								
	Issued share and paid up capital	**Statutory reserve**	**Other reserve**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at March 31, 2018	325,000	162,500	207,923	-	(1,315)	627,042	1,321,150	222	**1,321,372**
				-					
Profit / (loss) for the year	-	-	-	-	-	218,387	218,387	(2,277)	**216,110**
Other comprehensive income	-	-	-	-	790	3,207	3,997	186	**4,183**
Total comprehensive income / (loss) for the year	-	-	-	-	790	221,594	222,384	(2,091)	**220,293**
Treasury shares acquired (Note 21)	-	-	-	(51,559)	-	-	(51,559)	-	**(51,559)**
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	-	-	21,283	**21,283**
Dividends declared	-	-	-	-	-	(130,000)	(130,000)	-	**(130,000)**
Put option reserve	-	-	-	-	-	(23,530)	(23,530)	-	**(23,530)**
Transfer to other reserve (Note 21)	-	-	21,839	-	-	(21,839)	-	-	**-**
Balance at March 31, 2019	325,000	162,500	229,762	(51,559)	(525)	673,267	1,338,445	19,414	**1,357,859**
Profit / (loss) for the year	-	-	-	-	-	**266,260**	**266,260**	**(1,148)**	**265,112**
Other comprehensive (loss) / income					**(1,810)**	**(2,068)**	**(3,878)**	**1,373**	**(2,505)**
Total comprehensive (loss) / income for the year	-	-	-	-	**(1,810)**	**264,192**	**262,382**	**225**	**262,607**
Dividends declared (Note 11)	-	-	-	-	-	**(144,000)**	**(144,000)**		**(144,000)**
Transfer to other reserve (Note 21)		-	**26,626**	-		**(26,626)**	-	-	-
Balance at March 31, 2020	**325,000**	**162,500**	**256,388**	**(51,559)**	**(2,335)**	**766,833**	**1,456,827**	**19,639**	**1,476,466**

The notes from 1 to 31 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar Member Board of Directors	Waltherus Cornelis Petrus Matthijs Chief Executive Officer	Ian David Gowlett Chief Financial Officer

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

	Note	Year ended March 31, 2020	2019
Cash flow from operating activities			
Profit before zakat		**283,695**	233,350
Adjustments for:			
Depreciation and amortization	13, 14 & 15	**99,805**	70,390
(Gain)/ loss on disposal of property, plant and equipment		**(677)**	271
Impairment losses on financial assets	18	**14,220**	1,502
Finance costs on lease liabilities	14	**3,267**	-
Finance costs on non-controlling interest put option	28	**1,275**	558
Finance costs on contingent consideration payable	28	**122**	89
Provision for slow moving and obsolete inventories	17	**1,870**	481
Provision for employee benefit obligations	27	**16,038**	15,574
Others		**(742)**	-
		418,873	322,215
Working capital			
Inventories		**(82,080)**	81,649
Trade and other receivables		**(37,396)**	(14,687)
Deposits, prepayments and other assets		**(15,514)**	(4,057)
Trade and other payables		**23,086**	39,282
Accruals and other liabilities		**43,482**	32,857
Due to related parties		**214**	1,824
Cash flow from operating activities		**350,665**	459,083
Employee benefit obligations paid	27	**(14,641)**	(15,463)
Zakat paid	23	**(18,445)**	(21,574)
Net cash inflow from operating activities		**317,579**	422,046
Cash flow from investing activities			
Purchase of property, plant and equipment	13	**(74,628)**	(146,063)
Purchase of non-operational factory	13	**(18,000)**	-
Sale proceeds from disposal of property, plant and equipment	13	**1,873**	904
Acquisition of non-current assets		**(85)**	(156)
Payment for acquisition of a subsidiary, net of cash acquired		**-**	(73,192)
Net cash outflow from investing activities		**(90,840)**	(218,507)
Cash flow from financing activities			
Dividends paid to owners of SADAFCO	11	**(143,602)**	(130,000)
Purchase of treasury shares		**-**	(51,559)
Principal elements of lease payments	14	**(18,916)**	-
Net cash outflow from financing activities		**(162,518)**	(181,559)
Net change in cash and cash equivalents		**64,221**	21,980
Effects of exchange rate fluctuations on cash and cash equivalents		**(437)**	976
Cash and cash equivalents at the beginning of year		**582,055**	559,099
Cash and cash equivalents at the end of year	20	**645,839**	582,055

The notes from 1 to 31 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Waltherus Cornelis Petrus Matthijs	Ian David Gowlett
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

1 General Information

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

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

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

These consolidated financial statements were authorized for issue by the Board of Directors on May 3, 2020.

2 Basis of preparation

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

2.2 Preparation of the financial statements

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

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

2.3 New standards and interpretations

2.3.1 New and amended standards adopted by the Group

The Group has applied following standards and amendments for the first time for the annual reporting period commencing from April 1, 2019:

- IFRS 16 "Leases"
- IFRIC 23 "Uncertainty over income tax treatments"

The Group had to change its accounting policies as a result of adopting IFRS 16 "Leases". The Group elected to adopt the new rules retrospectively but recognized the cumulative effect of initially applying the new standard on April 1, 2019. This is disclosed in Note 2.3.3. The amendments of IFRIC 23 do not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current and future periods.

2.3.2 New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for March 31, 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)

2.3 New standards and interpretations (continued)

2.3.3 Changes in accounting policy

This note explains the impact of the adoption of IFRS 16 - Leases on the Group's consolidated financial statements.

As indicated Note 2.3.1, the Group has adopted IFRS 16 - Leases retrospectively from April 1, 2019, but has not restated comparatives for March 31, 2019 reporting period, as permitted under the specific transitional provisions in IFRS 16. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated statement of financial position at April 1, 2019.

(a) Adjustments recognised on adoption of IFRS 16

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

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

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

The recognised right-of-use assets relate to the following types of assets:

	March 31, 2020	**April 1, 2019**
Land	**40,922**	38,537
Buildings	**15,459**	13,974
Vehicles	**15,783**	15,839
Total right-of-use assets	**72,164**	68,350

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. Basis of preparation (continued)

2.3 New standards and interpretations (continued)

2.3.3 Changes in accounting policy (continued)

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

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

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

(b) Impact on segment disclosures and earnings per share

Segment assets and segment liabilities as of March 31, 2020 increased as a result of the adoption of IFRS 16. The following segments were affected by the change in policy:

	Drinks	Non-drinks	Total
Impact on assets	58,831	13,333	**72,164**
Impact on liabilities	56,278	13,047	**69,325**

Earnings per share increased by Saudi Riyal 0.02 per share for the year ended March 31, 2020 as a result of the adoption of IFRS 16.

Practical expedients applied

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

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

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

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

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

3 Significant accounting policies

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

3.1 Principles of consolidation and equity accounting

Subsidiaries

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

The acquisition method of accounting is used to account for business combination by the Group. The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group losses control of the subsidiary. Assets, liabilities income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group obtains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the Owners of SADAFCO and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

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

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the investee, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the investee.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

3 Significant accounting policies (continued)

3.1 Principles of consolidation and equity accounting (continued)

Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the SADAFCO. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of SADAFCO. When the Group ceases to consolidate or equity account for an investment because of a loss of control or significant influence, any retained interest in the investee is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

3.2 Fair value measurement

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

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3 Significant accounting policies (continued)

3.2 Fair value measurement (continued)

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Refer Note 28 for more details.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (BOD) and CEO, (together chief operating decision maker, CODM). The CODM assesses the financial performance and position of the Group, and makes strategic decisions.
An operating segment is group of assets and operations:
(i) engaged in revenue producing activities;
(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) whose financial information is separately available.

3.4 Foreign currencies translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Saudi Riyals, which is SADAFCO's functional and presentation currency.

Transaction and balances

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

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

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

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

Group companies

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

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

3 Significant accounting policies (continued)

3.4 Foreign currencies translation (continued)

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

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

3.5 Revenue recognition

The Group recognises revenue to depict the transfer of promised goods to customers. Revenue is measured based on the consideration specified in a contract with a customer net of returns, trade discounts, volume rebates and value added taxes.

Revenue is recognised when a customer obtains control of the goods or services (i.e. when it has the ability to direct the use of and obtain benefits from the goods). Customers obtain control when goods are delivered to and have been accepted by them as per the applicable delivery terms and, accordingly, revenue is recognised at that point-in-time. Invoices are usually payable within credit period agreed with the customer which may vary from one to another. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data, incase such returns are material.

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

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

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

3.6 Selling, distribution, general and administrative expenses

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

3.7 Dividends distribution

Dividend distribution to SADAFCO's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by SADAFCO's shareholders.

3 Significant accounting policies (continued)

3.8 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in consolidated statement of profit or loss as a bargain purchase. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in consolidated statement of profit or loss. The Group recognises contingent consideration which results from business combinations at fair value at acquisition date. Management exercises judgement in the determination of the discount rate and the probability of performance targets being met.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

3.9 Property, plant and equipment

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

3.9 Property, plant and equipment (continued)

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

Depreciation is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of property, plant and equipment as follows;

	Percentage
• Buildings	2.5 - 10
• Machinery and equipment	6.7 - 12.5
• Vehicles and trailers	15 - 25
• Furniture, fixtures and office equipment	10 - 25

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

3.10 Intangible assets

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments

Brands, customer and supplier relationships

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

Amortization is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives as follows**:**

	Number of years
• Brand	4-5
• Customer relationships	4-5
• Supplier relationship	4-5

3 Significant accounting policies (continued)

3.11 Zakat and income tax on foreign entities

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

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

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

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

3.12 Leases

The Group has leases for various accommodation, lands, warehouses, vehicles and depot facilities. Rental contracts are typically made for fixed periods of 1 to 20 years, but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the last financial year-ended March 31, 2019, leases of various accommodation, lands, warehouses, vehicles and depot facilities. were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

From April 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

3 Significant accounting policies (continued)

3.12 Leases (continued)

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of profit or loss. Short-term leases are leases with a lease term of 12 months or less. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Extension and termination options are included in a number of lands and depots leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable by both the parties.

At March 31, 2020, the Group did not have any lease contract classified as right-of-use assets that are variable in nature. Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable by both the parties. The Group assesses at lease commencement whether it is reasonably certain to exercise the option. The Group does not provide residual value guarantees in relation to any of its leases.

3.13 Financial instruments

IFRS 9 largely retains the previous requirements under IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets classified as held to maturity, loans and receivables and available for sale.

(i) Financial assets

Classification

On initial recognition, a financial asset is classified in either of the following categories:
- subsequently measured at amortised cost;
- subsequently measured at fair value through other comprehensive income ("FVOCI") – debt instrument;
- subsequently measured at fair value through other comprehensive income ("FVOCI") – equity instrument; or
- subsequently measured at fair value through profit and loss ("FVPL").

The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

3 Significant accounting policies (continued)

3.13 Financial instruments (continued)

Debt instruments

A ‘debt instrument’ is classified as subsequently measured at amortised cost if both the following conditions are met:

(a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows; and

(b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

If the above two conditions are not met, the ‘debt instrument’ is classified as subsequently measured at fair value, either at FVPL or FVOCI, based on the business model.

(a) Measurement

Initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Subsequent measurement

Debt instruments subsequently measured at amortised cost

This category is the most relevant to the Group. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in profit or loss. The losses arising from impairment are recognised in profit or loss. This category generally applies to trade and other receivables, bank balances, security deposits, advances to employees.

Debt instruments subsequently measured at fair value

For this category, if applicable, such financial assets are subsequently measured at fair value at the end of each reporting period, with all changes recognised either in profit or loss for equity instruments classified as FVPL, or within other comprehensive income for equity instruments classified as FVOCI.

(b) Derecognition

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

- The rights to receive cash flows from the asset have expired; or,

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

3 Significant accounting policies (continued)

3.13 Financial instruments (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(c) Impairment

The Group applies the expected credit loss (ECL) model for measurement and recognition of impairment loss on the financial assets that are debt instruments, and are measured at amortised cost (e.g. deposits, trade receivables and bank balances). The Group follows 'simplified approach' for recognition of impairment loss allowance on trade receivables, if they do not contain a significant financing component.

The application of a simplified approach does not require the Group to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECL at each reporting date, right from its initial recognition. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument.

The Group uses a provision matrix in the calculation of the ECL on financial assets to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. The provision matrix is developed considering probability of default and loss given default which were derived from historical data of the Group and are adjusted to reflect the expected future outcome.

ECL impairment loss allowance (or reversal) recognised during the period is recognised as income/ expense in profit or loss.

(ii) Financial liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

Non-derivative financial liabilities of the Group comprise trade and other payables.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3 Significant accounting policies (continued)

3.14 Impairment of non-financial assets

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

3.15 Cash and cash equivalents

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

3.16 Trade and other receivables

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

3.17 Inventories

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

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

3.18 Trade and other payables

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

3.19 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

3 Significant accounting policies (continued)

3.20 Non-controlling interest put options

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

3.21 Employee benefit obligations

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

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

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

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

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

3.22 Share capital

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

3.23 Treasury shares

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

3.24 Other reserve

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

3 Significant accounting policies (continued)

3.25 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group.
- by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

4 Critical accounting estimates and judgments

The preparation of the Group's consolidated financial statements, requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent assets and contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Estimates and judgments are continuously evaluated. They are based on historical experience and other factors including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The Group has reviewed the key sources of estimation uncertainties against the backdrop of Covid-19 pandemic. Management believes it has taken all relevant sources of estimation uncertainty in these annual consolidated financial statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

Information about estimates and judgments made in applying accounting policies that could potentially have an effect on the amounts recognised in the consolidated financial statements, are discussed below:

(i) Goodwill - Annual impairment testing of goodwill

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

4 Critical accounting estimates and judgments (continued)

(ii) Measurement of post-employment defined benefits

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

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high quality bonds obligation, as designated by an internationally acknowledged rating agency are considered, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. Further details are explained in Note 27 of the consolidated financial statements.

(iii) Non-controlling interest put options

The fair value of non-controlling interest put options are recognised at the present value of redemption amount based on discount future cash flow analysis. The Group uses its judgment to select a variety of methods, and assumptions made are based on market and Group specific conditions existing at each reporting period. Further details are explained in Note 16 of the consolidated financial statements.

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

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

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

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

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

Most extension options on depot facilities and vehicles leases have not been included in the lease liability, because the Group could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was an increase in recognised lease liabilities and right-of-use assets of Saudi Riyals 18.6 million. See Note 14 for further details.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5 Group information

The consolidated financial statements of the Group include:

Name	Relationship	Principal activities	Country of incorporation	% equity interest	
				March 31, 2020	**March 31, 2019**
SADAFCO Bahrain Company SPC	Subsidiary	Foodstuff and dairy products	Bahrain	**100%**	100%
SADAFCO Jordan Foodstuff Company LLC	Subsidiary	Foodstuff and dairy products	Jordan	**100%**	100%
SADAFCO Qatar Company	Subsidiary	Foodstuff and dairy products	Qatar	**75%**	75%
SADAFCO Kuwait Foodstuff Co. W.L.L (*)	Subsidiary	Foodstuff and dairy products	Kuwait	**49%**	49%
SADAFCO Poland sp. Z.o.o. (s“SADAFCO Poland”)	Subsidiary	Holding company	Poland	**100%**	100%
Mlekoma sp. Z.o.o.	Subsidiary	Dairy products	Poland	**76%**	76%
Foodexo sp. Z.o.o.	Subsidiary	Dairy products	Poland	**76%**	76%
Mlekoma Dairy Z.o.o	Associate	Dairy products	Poland	**37%**	37%

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

The Group’s parent entity is Al Qurain Petrochemicals Industries Company (“QPIC”), which is an associate of Kuwait Projects Company Holding (“KIPCO”). QPIC holds shareholding equal to 40.11 % of the share capital (2019: 40.11% of the share capital). Both, QPIC and KIPCO are listed on Kuwait Stock Exchange.

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Segment information

6.1 Operating segment

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

	March 31, 2020			
	Drinks	**Non- drinks**	**Unallocated**	**Total**
Segment profit or loss				
Segment revenue – net	**1,248,111**	**863,505**	**-**	**2,111,616**
Inter-segment revenue – net	**-**	**(55,525)**	**-**	**(55,525)**
Revenue from external customers	**1,248,111**	**807,980**	**-**	**2,056,091**
Profit before zakat	**192,052**	**91,643**	**-**	**283,695**
Depreciation and amortization	**72,546**	**27,259**	**-**	**99,805**
Segment assets				
Property, plant and equipment	**582,119**	**215,406**	**-**	**797,525**
Right-of-use asset	**58,831**	**13,333**	**-**	**72,164**
Intangible assets	**-**	**26,133**	**-**	**26,133**
Other non-current assets	**-**	**5,403**	**243**	**5,646**
Current assets	**-**	**55,036**	**1,217,965**	**1,273,001**
Total assets	**640,950**	**315,311**	**1,218,208**	**2,174,469**
Segment liabilities				
Current liabilities	**9,260**	**34,885**	**454,313**	**498,458**
Non-controlling interest put option and other liabilities	**-**	**29,330**	**-**	**29,330**
Lease liabilities	**47,018**	**10,156**	**-**	**57,174**
Employee benefit obligations	**-**	**230**	**112,811**	**113,041**
Total liabilities	**56,278**	**74,601**	**567,124**	**698,003**

	March 31, 2019			
	Drinks	**Non- drinks**	**Unallocated**	**Total**
Segment profit or loss				
Segment revenue – net	1,094,723	727,162	-	1,821,885
Inter-segment revenue –net	-	(8,925)	-	(8,925)
Revenue from external customers	1,094,723	718,237	-	1,812,960
Profit before zakat	166,850	66,500	-	233,350
Depreciation and amortization	48,853	21,537	-	70,390
Segment assets				
Property, plant and equipment	562,187	224,834	-	787,021
Intangible assets	-	28,713	-	28,713
Other non-current assets	-	4,661	243	4,904
Current assets	-	49,244	1,045,860	1,095,104
Total assets	562,187	307,452	1,046,103	1,915,742
Segment liabilities				
Current liabilities	-	29,495	390,879	420,374
Non-controlling interest put option and other liabilities	-	27,933	-	27,933
Employee benefits obligations	-	230	109,346	109,576
Total liabilities	-	57,658	500,225	557,883

(All amounts in Saudi Riyals thousands unless otherwise stated)

6 Segment information (continued)

6.1 Operating segment (continued)

The management has categorised its geographical operations as follows:

	2020	2019
Geographic information		
Revenue from external customers		
Kingdom of Saudi Arabia	**1,751,881**	1,566,909
Poland	**197,541**	146,199
Gulf Cooperation Council (GCC countries)	**58,874**	57,792
Others	**47,795**	42,060
	2,056,091	1,812,960
Non-current operating assets		
Kingdom of Saudi Arabia	**802,212**	731,049
Poland	**75,171**	77,863
Gulf Cooperation Council (GCC countries)	**18,848**	9,711
Others	**5,237**	2,015
	901,468	820,638

6.2 Reconciliation of profit

	2020	2019
Profit before zakat	**283,695**	233,350
Zakat	**(18,583)**	(17,240)
Profit after zakat	**265,112**	216,110

7 Capital management

At March 31, 2020 and March 31, 2019, the Group has no outstanding borrowing arrangements and, therefore, the gearing ratio is not presented.

For the purpose of the Group's capital management, capital includes issued share and paid up capital, statutory reserve, other reserve and foreign translation currency reserve. The primary objective of the Group's capital management is to maximize the shareholder value.

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

8 Cost of revenue

	Note	2020	2019
Material and employees' cost		**1,223,653**	1,098,114
Depreciation	13 & 14	**56,721**	43,076
Transportation cost		**40,471**	35,342
Rent		**398**	15,650
Other overheads		**45,669**	40,480
		1,366,912	1,232,662

9 Selling and distribution expenses

	Note	2020	2019
Employee costs		**171,761**	147,464
Advertising and sales promotion		**46,463**	41,074
Depreciation	13 & 14	**37,160**	23,447
Repairs and maintenance costs		**9,472**	6,501
Insurance		**3,287**	3,187
Communication		**2,367**	2,474
Rent		**860**	5,882
Others		**29,276**	36,059
		300,646	266,088

10 General and administrative expenses

	Note	2020	2019
Employee costs		**66,867**	58,112
Depreciation and amortization	13, 14 & 15	**5,924**	3,867
Repairs and maintenance costs		**3,151**	2,714
Directors' remuneration		**2,800**	2,800
Communication		**1,922**	2,166
Bank charges		**963**	830
Insurance		**768**	680
Rent		**312**	556
Others		**18,060**	20,503
		100,767	92,228

11 Dividends

In the Annual General Meeting of the Company held on June 11, 2019 the shareholders approved payment of final dividend of Saudi Riyals 2 per share (Saudi Riyals 64 million) and on December 2, 2019, the Board of Directors approved payment of interim dividend of Saudi Riyals 2.5 per share (Saudi Riyals 80 million). Total dividend distributed for the year amounted to Saudi Riyal 144 million (SAR 4.5 per share).

12 Earnings per share

The basic and diluted earnings per share is computed for the year ended March 31 as follows:

	2020	2019
Profit attributable to owners of SADAFCO	**266,260**	218,387
Weighted average number of ordinary shares outstanding (in thousands)	**32,000**	32,447
Basic and diluted earnings per share	**8.32**	6.73

Weighted average number of shares as of March 31, 2019 were adjusted to reflect the effect of treasury shares held by the Company. No new treasury shares were purchased during the year ended March 31, 2020. As of March 31, 2020, and March 31, 2019, the Company had purchased 500,250 shares.

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Property, plant and equipment

	Land and buildings	Machinery and equipment	Vehicles and trailers	Furniture, fixtures and office equipment	Capital work-in-progress	Total
Cost						
April 1, 2018	377,968	858,840	223,992	82,243	148,319	1,691,362
Acquired on acquisition	32,912	35,337	2,074	4,638	555	75,516
Additions	1,007	3,753	13,463	1,151	126,689	146,063
Disposals	(540)	(5,794)	(15,969)	(38)	-	(22,341)
Transfers	5,559	63,671	8,637	8,873	(86,740)	-
March 31, 2019	416,906	955,807	232,197	96,867	188,823	1,890,600
Accumulated depreciation						
April 1, 2018	208,286	574,604	174,523	70,862	-	1,028,275
Acquired on Acquisition	3,614	20,757	1,030	2,678	-	28,079
Charge for the year	13,503	34,813	15,812	4,263	-	68,391
Disposals	(425)	(5,288)	(15,422)	(31)	-	(21,166)
March 31, 2019	224,978	624,886	175,943	77,772	-	1,103,579
Net book value at March 31, 2019	**191,928**	**330,921**	**56,254**	**19,095**	**188,823**	**787,021**
Cost						
April 1, 2019	416,906	955,807	232,197	96,867	188,823	1,890,600
Additions	1,799	2,393	17,277	1,333	69,826	92,628
Disposals	(29)	(6,025)	(8,846)	(188)	-	(15,088)
Transfers	105,877	78,511	2,032	3,240	(189,660)	-
March 31, 2020	524,553	1,030,686	242,660	101,252	68,989	1,968,140
Accumulated depreciation						
April 1, 2019	224,978	624,886	175,943	77,772	-	1,103,579
Charge for the year	17,066	42,028	16,990	4,844	-	80,928
Disposals	-	(5,815)	(8,014)	(63)	-	(13,892)
March 31, 2020	242,044	661,099	184,919	82,553	-	1,170,615
Net book value at March 31, 2020	**282,509**	**369,587**	**57,741**	**18,699**	**68,989**	**797,525**

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

	Note	2020	2019
Cost of revenue	8	**52,884**	43,076
Selling and distribution expenses	9	**25,651**	23,447
General and administrative expenses	10	**2,393**	1,868
		80,928	68,391

(b) The ownership interest of the Group in certain freehold land held in Madinah amounting to Saudi Riyals 1.54 million (March 31, 2019: Saudi Riyals 1.54 million) is through a shareholder of the Group. The Group holds legal documents confirming its beneficial interest.

(c) The additions during the year amounting to Saudi Riyals 92.6 million (2019: Saudi Riyals 146.3 million) mainly represent additions to capital work-in-progress for buildings, plant and machinery, vehicles and freezers.

(All amounts in Saudi Riyals thousands unless otherwise stated)

13 Property, plant and equipment (continued)

(d) The Group entered into an asset purchase agreement ("APA") with a third party on July 4, 2019, to acquire a non-operational factory, adjacent to the Group's existing milk factory, in Jeddah, Kingdom of Saudi Arabia, for Saudi Riyals 18 million which mainly comprises buildings, plant and machinery. At March 31, 2020, management has recorded these assets under capital work-in-progress as the Group management is planning to use this facility as an expansion to the existing ice cream production.

14 Leases

14.1 Right-of-use assets

	Land	Buildings	Vehicles	Total
Cost				
April 1, 2019	38,537	13,974	15,839	68,350
Remeasurement	3,717	7,318	7,564	18,599
Addition	788	-	639	1,427
March 31, 2020	**43,042**	**21,292**	**24,042**	**88,376**
Accumulated depreciation				
April 1, 2019	-	-	-	-
Charge for the year	(2,120)	(5,833)	(8,259)	(16,212)
March 31, 2020	**(2,120)**	**(5,833)**	**(8,259)**	**(16,212)**
Net book value at March 31, 2020	**40,922**	**15,459**	**15,783**	**72,164**

14.2 Lease liabilities

	March 31, 2020
At April 1, 2019	**64,948**
Addition	**20,026**
Payments made	**(18,916)**
Interest charged	**3,267**
At March 31, 2020	**69,325**

The scheduled maturities of the lease liabilities as of March 31, 2020 are as follows:

	Principal amount	Interest	Net lease liabilities
Current portion	**14,720**	**(2,569)**	**12,151**
Non-current portion	**82,524**	**(25,350)**	**57,174**
	97,244	**(27,919)**	**69,325**

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

	Note	March 31, 2020
Cost of revenue	8	**3,837**
Selling and distribution expenses	9	**11,509**
General and administrative expenses	10	**866**
		16,212

Expense relating to short-term leases (included in cost of revenue - Note 8, selling and distribution expenses (Note 9) and general and administrative expenses (Note 10) amounts to Saudi Riyals 7.81 million.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 Intangible assets

	Goodwill	Brand	Supplier relationships	Customer relationships	Other	Total
Cost						
March 31, 2019	18,720	8,656	2,324	1,012	-	**30,712**
Additions	-	-	-	-	85	**85**
March 31, 2020	18,720	8,656	2,324	1,012	85	**30,797**
Accumulated amortization						
March 31, 2019	-	1,442	388	169	-	**1,999**
Charge for the year	-	1,925	515	225	-	**2,665**
March 31, 2020	-	3,367	903	394	-	**4,664**
Net book values						
March 31, 2020	**18,720**	**5,289**	**1,421**	**618**	**85**	**26,133**
March 31, 2019	18,720	7,214	1,936	843	-	28,713

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

SADAFCO through its wholly-owned subsidiary, SADAFCO Poland, acquired a total stake of 76% in Mlekoma group on July 2, 2018 through a series of agreements, collectively referred to as Share Purchase Agreement ("SPA"). The Group considers this transaction as a strategic opportunity to invest in vertical (upward) integration, being a source of the milk powder, one of the key raw materials.

(a) Customer relationships, supplier relationships and brand

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

The fair value of customer relationships on the acquisition date were arrived at by using multi-period excess earning method which involves management to estimate expected future excess earnings stream attributable to the asset.

The fair value of the brand on the acquisition date was arrived at by using royalty relief method which involves management to estimate implicit royalty payments that would be saved through owning the asset as compared it with licensing from third party.

(b) Goodwill

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

The Group tests whether goodwill has suffered any impairment on an annual basis. For the impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. For the year ended March 31, 2020, the recoverable amount of Mlekoma group which was considered as single cash generating unit was determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates.

Goodwill is allocated to the Mlekoma group's operations as a whole and falls under "Non-drinks" in the operating segment.

(All amounts in Saudi Riyals thousands unless otherwise stated)

15 Intangible assets (continued)

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

Key assumptions	**Percentage**
Sales growth rate	9.4
Discount rate	9.5
Terminal value growth rate	3.0

Sensitivity to the changes in assumptions

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

(i) Sales growth rate

The sales growth in the forecast period has been estimated to be compound annual growth rate of 9.4%. If all other assumptions kept the same, a reduction of this growth rate by 8.6% would give a value in use equal to the current carrying amount.

(ii) Discount rate

The discount was an estimate of the weighted average cost of capital as of March 31, 2020 based on market rates adjusted to reflect management's estimate of the specific risks relating to segment and operations in Poland. If all other assumptions kept the same, an increase of this rate by 6% would give a value in use equal to the current carrying amount.

(iii) Terminal value growth rate

It is the weighted average growth rate used to extrapolate cash flows beyond the budget period. If all other assumptions kept the same, a reduction of this growth rate by 24% would give a value in use equal to the current carrying amount.

16 Non-controlling interest put option and other liabilities

16.1 Non-controlling interest put option

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

The Group entered into business acquisition of a subsidiary in Poland, Mlekoma Group, through SPA which included clauses whereby the non-controlling interest equity holders will put their remaining shareholding to the Group at the expiry date of the option i.e. fifth year of the completion date as per the terms of SPA. As per the terms of SPA, it is a binding irrevocable option to acquire from the non-controlling interest equity holders their remaining shareholding.

The put option available to the non-controlling interest equity holders is exercisable within period of 15 business days from the expiry date of the option. The redemption value is recognised higher of purchase price as per SPA or determined by applying earnings multiplier to audited EBITDA of financial year 2022 of Mlekoma group as reduced by net debt in accordance with the SPA. The Group has estimated a gross cash outflow of range of Saudi Riyals 27.3 million to Saudi Riyals 36.5 million at the exercise of option. A pre-tax discount rate of 3.1% and 9.5%, respectively has been used for redemptions values based on the two options. This is a level 3 fair valuation as per IFRS 13. Refer Note 28 for fair valuation details.

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Non-controlling interest put option and other liabilities (continued)

16.2 Contingent consideration

Contingent consideration payable is estimated based on the terms of SPA, the management's knowledge of the business and how the current economic environment is likely to impact the business of Mlekoma Group. In the event that certain pre-determined sales and net margins targets are achieved by Mlekoma Group for the years 2018, 2019 and 2020, the Group may be required to pay the former owners an amount ranging from Saudi Riyals 2 million to Saudi Riyals 5 million for each year up to maximum undiscounted amount of Saudi Riyals 5 million for each year. There is no minimum guaranteed amount payable under terms of SPA. As of March 31, 2020, the non-current portion of contingent consideration payable amounts to Saudi Riyals 4 million and the current portion of contingent consideration payable amounts to Saudi Riyals 3 million, which is included in other accrual under 'Accruals and other liabilities' (Note 25).

As at acquisition date on July 2, 2018, the fair value of the contingent consideration of Saudi Riyals 6.8 million was estimated by calculating the present value of the future expected cash flows at pre-tax discount rate of 3.1%. The pre-determined sales and net margins targets were achieved for the years 2018 and 2019. Except for the unwinding of the discount amounting to Saudi Riyals 0.12 million (2019: Saudi Riyals 0.09 million), there has been no change in the remaining liability since there has been no changes in the probability of the outcome performance.

17 Inventories

	2020	**2019**
Raw materials	**191,564**	132,517
Packing materials	**27,045**	25,474
Finished goods	**95,608**	77,879
Spare parts, supplies and other items	**18,637**	14,052
Goods-in-transit	**36,821**	37,673
	369,675	287,595
Less: Provision for slow moving and obsolete inventories (see below)	**(12,048)**	(10,178)
	357,627	277,417

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

	2020	**2019**
April 1	**10,178**	9,697
Charge for the year	**1,870**	481
Write-off	**-**	-
March 31	**12,048**	10,178

(All amounts in Saudi Riyals thousands unless otherwise stated)

18 Trade and other receivables

	2020	2019
Trade receivables	**238,829**	202,298
Less: Allowance for impairment of trade receivables (see below)	**(35,881)**	(21,661)
Net trade receivables	**202,948**	180,637
Net advances and other receivables	**13,020**	12,155
	215,968	192,792

As at March 31, 2020, trade receivables with an initial carrying value of Saudi Riyals 35.9 million (2019: Saudi Riyals 21.7 million) were impaired and fully provided for. See below for the movements in the allowance for impairment of trade receivables.

	2020	2019
April 1	**21,661**	20,159
Charge for the year	**14,220**	1,502
March 31	**35,881**	21,661

It is not the practice of the Group to obtain collateral over receivables and the vast majority of receivables are therefore, unsecured. However, unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. Refer Note 28 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables.

19 Deposits, prepayments and other assets

	2020	2019
Prepayments	**7,001**	15,375
Advances to suppliers	**42,840**	24,085
Security and other deposits	**3,726**	3,380
	53,567	42,840

20 Cash and cash equivalents

	2020	2019
Cash in hand	**21,647**	13,487
Balances with banks - current account	**61,687**	40,558
Murabaha short-term bank deposits	**562,505**	528,010
	645,839	582,055

The rates on Murabaha short-term bank deposits ranges from 0.1% to 2.9% per annum for the year ended March 31, 2020 (March 31, 2019: 0.8% to 3% per annum). The cash is held in current accounts and Murabaha short-term bank deposits with banks having sound credit ratings. The fair value of cash and cash equivalent approximates the carrying value at each reporting period.

(All amounts in Saudi Riyals thousands unless otherwise stated)

21 Capital and reserves

21.1 Issued and paid-up capital

	2020	2019
Ordinary share of Saudi Riyals 10 each (*)	**32,500**	32,500
Issued share and paid-up capital		
March 31	**325,000**	325,000

(*) It includes treasury shares acquired during the year ended March 31, 2019.

21.2 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, companies are required to transfer 10% of the net income for the year to a statutory reserve until such reserve equals 30% of its share capital. However, according to the Company's By-laws, the Company was required to transfer at least ten percent of net income for the year to a statutory reserve until such reserve equals 50% of paid-up capital which was consistent with previous Regulations for Companies. This having been achieved, consequently, the Company resolved to discontinue such transfers. This reserve currently is not available for distribution to the shareholders of the Group.

21.3 Other reserve

In the prior years, the shareholders decided to create a voluntary reserve by transfer of ten percent of the profit attributable to equity shareholders of SADAFCO to the reserve. The utilization of this reserve is at the discretion of the shareholders. In the current year an amount of Saudi Riyals 26.6 million was transferred to voluntary reserve (2019: Saudi Riyals 21.8 million).

22 Non-controlling interests

Summarized aggregate financial information of the SADAFCO Poland sp. Z.o.o. that has material non-controlling interests ("NCI") (Refer Note 1) is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Summarized statement of financial position of SADAFCO Poland sp. Z.o.o.

	2020	2019
Current assets	**57,768**	51,125
Current liabilities	**28,861**	29,495
Current net assets / (liabilities)	**28,907**	21,630
Non-current assets	**75,172**	77,790
Non-current liabilities	**33,919**	28,163
Non-current net assets / (liabilities)	**41,253**	49,627
Net assets / (liabilities)	**70,160**	71,257
Equity attributable to the owners of the Company	**49,740**	51,522
Accumulated non-controlling interests	**20,420**	19,735
	70,160	71,257

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 Non-controlling interests (continued)

	2020	2019
Summarized statement of comprehensive income of SADAFCO Poland sp. Z.o.o.		
For the year ended March 31		
Revenue	**253,066**	155,124
Expenses	**(254,658)**	(162,148)
Loss for the year	**(1,592)**	(7,024)
Loss for the year attributable to:		
Owners of the SADAFCO	**(2,277)**	(5,476)
Non-controlling interests	**685**	(1,548)
Total comprehensive loss for the year	**(1,592)**	(7,024)
Total comprehensive income / (loss) attributable to:		
Owners of the SADAFCO	**(2,277)**	(5,476)
Non-controlling interests	**685**	(1,548)
	(1,592)	(7,024)
Summarized cash flows		
For the year ended March 31		
Cash flows from operating activities	**2,590**	(4,627)
Cash flows from investing activities	**(587)**	(73,390)
Cash flows from financing activities	**(1,020)**	83,744
Net increase in cash and cash equivalents	**983**	5,727

23 Zakat

23.1 Charge for the year

The zakat charge for the year is based on the standalone financial statements of SADAFCO.

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

	2020	2019
Charge for the year	**18,583**	17,240

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

	2020	2019
Capital	**325,000**	325,000
Adjusted net income	**291,160**	234,119
Adjusted reserves, provisions and others at the beginning of the year	**1,159,486**	1,129,789
Deduction for long-term assets	**(1,013,689)**	(980,805)
Deduction for spare parts	**(18,637)**	(18,500)
Zakat base	**743,320**	689,603

(All amounts in Saudi Riyals thousands unless otherwise stated)

23 Zakat (continued)

23.2 Movements in provision during the year

	2020	**2019**
April 1	**16,189**	20,523
Charge for the year	**18,583**	17,240
Payment during the year	**(18,445)**	(21,574)
March 31	**16,327**	16,189

23.3 Status of assessments

Zakat assessments for the years up to and including 2017 have been finalized with the General Authority of Zakat and Tax (GAZT). Moreover, the GAZT has not yet raised an assessment for the years 2018 and 2019. The Company has received zakat certificate valid until July 31, 2020.

23.4 Deferred tax on foreign entities

Deferred tax assets and liabilities relating to foreign entities are not material to the Group's consolidated financial statements.

24 Trade and other payables

	2020	**2019**
Trade payables	**207,376**	188,686
Other payables	**13,796**	9,400
	221,172	198,086

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

25 Accruals and other liabilities

	2020	**2019**
Employee related accruals	**85,748**	63,637
Marketing related accruals	**35,528**	38,998
Rent and utility accruals	**33,734**	33,592
Plant and facility maintenance	**10,244**	6,735
Other accruals	**77,798**	57,993
	243,052	200,955

The accrued expenses, accrued employee-related cost, accrued rent and utilities are usually settled within 12 months from the reporting date. Hence the carrying amount of these balances is considered to be the same as their fair values.

(All amounts in Saudi Riyals thousands unless otherwise stated)

26 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) All related parties' transactions for the years ended March 31, and balances arising there from are described as under:

Transaction with	Nature of transaction	Transactions with related parties		Due to related parties	
		2020	**2019**	**2020**	**2019**
Buruj Co-operative Insurance Company (affiliate) (*)	Insurance premium	**11,199**	9,919	**2,281**	2,048
PKC Advisory (affiliate)	Consultancy services	**861**	905	**-**	19
				2,281	2,067

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

During the year, the Group placed Saudi Riyals 50.63 million (2019: Nil) with United Gulf Bank as short-term deposit for one month as per commercial terms and earned Saudi Riyals 0.11 million.

Terms and conditions of transactions with related parties

The sales to and purchases from a related party are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables or payables. For the year ended March 31, 2020, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2019: Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group

	2020	**2019**
Short-term and long-term employee benefits	**15,596**	14,055
Termination benefits	**549**	699
Total compensation paid to key management personnel	**16,145**	14,754

27 Employee benefit obligations

The Group has a post-employment defined benefit plan. The benefits are required by Saudi Labor and Workman Law. The benefit is based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The following table summarizes the components of the net benefit expense recognised in the consolidated statement of profit or loss and consolidated statement of comprehensive income and amounts recognised in the consolidated statement of financial position:

(All amounts in Saudi Riyals thousands unless otherwise stated)

27 Employee benefit obligations (continued)

	2020	2019
Discount rate	2.7%	4.0%
Expected rate of salary increase	2.7%	4.0%
Death in service	Age wise	Age wise
Withdrawal before normal retirement period	Age wise	Age wise
Net benefit expense recognised in consolidated statement of profit or loss		
Current service cost	**12,044**	12,296
Interest cost on benefit obligations	**3,994**	3,278
Net benefit expense	**16,038**	15,574

Net benefit expense recognised in the consolidated statement of comprehensive income

	2020	2019
Remeasurement loss / (gain) arising from experience	**2,068**	(3,207)
	2,068	(3,207)

Reconciliation of net liability recognised in the consolidated statement of financial position

	2020	2019
Net liability as at beginning of the year	**109,576**	112,672
Interest cost on benefit obligations	**3,994**	3,278
Current service cost	**12,044**	12,296
Remeasurement loss / (gain)	**2,068**	(3,207)
Benefits paid	**(14,641)**	(15,463)
Net liability at end of the year	**113,041**	109,576

The weighted average duration of the defined benefit obligation as at March 31, 2020 is 9.78 years (March 31, 2019: 8.26 years).

The scheme is an unfunded scheme with no assets backing the liabilities under the plan. This exposes the employees to the loss of benefits or delay in payments in case of employer's business not being able to meet its obligations or any unforeseen cash flow demands.

The liabilities are based on certain assumptions which pose a risk that in case the assumptions do not materialise as assumed, the liabilities may vary. For this purpose, sensitivity of results to certain key assumptions is indicated below:

Discount rate:

	2020	2019
0.25% increase in discount rate	**(2,059)**	(1,995)
0.25% decrease in discount rate	**2,140**	2,073

Salary escalation rate:

	2020	2019
0.25% increase in salary escalation rate	**2,374**	2,300
0.25% decrease in salary escalation rate	**(2,294)**	(2,222)

(All amounts in Saudi Riyals thousands unless otherwise stated)

27 Employee benefit obligations (continued)

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

The expected maturity analysis of undiscounted employee benefits obligations is as follows:

	2020	**2019**
1 - 5 years	**47,198**	48,933
6 - 10 years	**43,727**	39,106
10 years and above	**52,355**	68,584

28 Financial Instruments

28.1 Financial assets

	2020	**2019**
Financial assets at amortised cost		
Trade and other receivables	**215,968**	192,792
Cash and cash equivalents	**645,839**	582,055
Security and other deposits	**3,726**	3,380
Total financial assets	**865,533**	778,227

Trade and other receivables

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

28.2 Financial liabilities

	2020	**2019**
Financial liabilities at amortized cost		
Trade and other payables	**221,172**	198,086
Accruals and other liabilities	**239,966**	197,869
Dividend payable	**3,475**	3,077
Due to related parties	**2,281**	2,067
Total financial liabilities	**466,894**	401,099
Financial liabilities at fair value through profit or loss		
Non-controlling interest put option	**25,363**	24,088
Contingent consideration payable	**7,053**	6,931
Total financial liabilities	**32,416**	31,019

28.3 Financial instruments carried at fair value

a) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

28 Financial Instruments (continued)

28.3 Financial instruments carried at fair value (continued)

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

	Contingent consideration payable	Non-controlling interest put option
April 1, 2019	**6,931**	**24,088**
Unwinding of discount	**122**	**1,275**
March 31, 2020	**7,053**	**25,363**

c) Valuation process

The Group involves a team of the affiliated group of the ultimate parent that performs the valuations of financial instruments at fair value required for financial reporting purposes. This team reports directly to the chief financial officer (CFO). The main level 3 inputs used by the Group are derived and evaluated as follows:

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

29 Financial instruments risk management objective and policies

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

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

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk such as equity price risk.

The sensitivity analyses in the following sections relate to the position as at March 31, 2020.

i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At March 31, 2020 and 2019, the Group does not have any borrowings and accordingly no interest rate risk sensitivity is presented. Further, interest rate risk related to murabaha short-term bank deposits, contingent consideration and non-controlling put option is immaterial as at March 31, 2020 and 2019.

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Financial instruments risk management objective and policies (continued)

ii) Currency risk

Currency risk is the risk that value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that is not the Group's functional currency. During the year, the Group's transactions were in Saudi Riyals, Bahraini Dinars, Polish Złoty, Kuwaiti Dinars, Jordanian Dinars, Euros and United States Dollars.

The Group's exposure to currency risk arising from currencies that are not pegged to Saudi Riyals is not material to these consolidated financial statements. The Group is not significantly exposed to fluctuations in foreign exchange rates during its ordinary course of business as significant transactions of the Group, during the year were either in Saudi Riyals or US Dollars.

iii) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables) and from its investing activities i.e. deposits with banks and financial institutions.

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

	2020	**2019**
Financial assets		
Trade receivables – net	**202,948**	180,637
Cash and cash equivalents	**645,839**	582,055
Security and other deposits	**3,726**	3,380
	852,513	766,072

(a) Trade receivables

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

At March 31, 2020, the Group had 5 customers that accounted for approximately 44% (March 31, 2019: 44%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 82% in KSA, 7% in GCC (other than KSA) and 11% in other countries. Due to short term nature of the trade receivable, their carrying amount is considered to be the same as their fair value.

The requirement for an impairment is analyzed at each reporting date on an individual basis for major customers. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. A significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment. A default on a trade receivable is when the counterparty fails to make contractual payments within 90 days of when they fall due. The Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the consolidated statement of profit or loss. The Group writes off financial assets, in a whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

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

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. The Group does not hold collateral as security. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customer base is diversified.

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Financial instruments risk management objective and policies (continued)

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

	2020	2019
Trade receivables – third parties	**202,948**	180,637
Cash at banks	**624,192**	568,568
	827,140	749,205

Cash at banks are placed with banks with sound credit ratings. Security and other deposits are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management impairment assessment, there is no provision required in respect of these balances for years presented.

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

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

	Note	2020	2019
Impairment loss on trade receivables	18	**14,220**	1,502

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

March 31, 2020	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**
Current (not past due)	**0.14% - 1.38%**	**190,714**	**573**
1–90 days past due	**0.13% - 1.36%**	**11,497**	**15**
90–180 days past due	**1.59% - 14.58%**	**1,245**	**17**
180+ days past due	**46.87% - 100.00%**	**15,000**	**14,903**
Specific provision	**100.00%**	**20,373**	**20,373**
	15.02%	**238,829**	**35,881**

March 31, 2019	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**
Current (not past due)	0.06% - 1.56%	167,982	546
1–90 days past due	0.05% - 1.51%	11,897	28
90–180 days past due	0.72% - 14.97%	572	5
180+ days past due	38.48% - 100%	6,920	6,155
Specific provision	100.00%	14,927	14,927
	10.71%	202,298	21,661

(All amounts in Saudi Riyals thousands unless otherwise stated)

29 Financial instruments risk management objective and policies (continued)

(b) Cash and cash equivalents

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

Credit risk on bank balances is limited as cash balances are held with banks with sound credit ratings ranging from A3 and above.

Liquidity risk

The Group monitors its liquidity risk by regular working capital excess/shortage assessment and ensuring that it has adequate liquidity to fund its day to day operations. Where necessary, the Group may enter into overdraft facility with banks in order to ensure continued funding of operations.

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

March 31, 2020	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Trade and other payables	-	**221,172**	-	-	-	**221,172**
Accruals and other liabilities	-	**239,966**	-	-	-	**239,966**
Dividend payable	**3,475**	-	-	-	-	**3,475**
Due to related parties	**2,281**	-	-	-	-	**2,281**
Non-controlling interest put option and other liabilities	-	-	**3,086**	**40,790**	-	**43,876**
Lease liabilities	-	**2,025**	**12,695**	**28,862**	**53,662**	**97,244**
	5,756	**463,163**	**15,781**	**69,652**	**53,662**	**608,014**

March 31, 2019	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Trade and other payables	-	198,086	-	-	-	198,086
Accruals and other liabilities	-	197,869	-	-	-	197,869
Dividend payable	3,077	-	-	-	-	3,077
Due to related parties	2,067	-	-	-	-	2,067
Non-controlling interest put option and other liabilities	-	-	3,086	42,392	-	45,478
	5,144	395,955	3,086	42,392	-	446,577

(All amounts in Saudi Riyals thousands unless otherwise stated)

30 Contingencies and commitments

30.1 Contingencies

As at March 31, 2020, the Group has a contingent liability of Saudi Riyals 3.28 million (2019: Saudi Riyals 11.3 million) in respect of guarantees issued for various business needs.

30.2 Commitments

At March 31, 2020, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 72.2 million (2019: Saudi Riyals 34.0 million).

30.3 Operating leases

Prior to April 1, 2019, the Group entered into operating leases for accommodations, lands for its factory buildings, depots and vehicles. From April 1, 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	March 31, 2020	**March 31, 2019**
Within in one year	-	13,644
After one year but not more than five years	-	13,949
More than five years	-	11,695
	-	39,288

30.4 Short-term leases

The short-term lease commitments as of March 31, 2020 amount to Saudi Riyals 6.39 million.

31 Reclassifications in the statement of financial position

Following reclassifications have been made in comparative 2019 financial statements to conform to 2020 presentation.

a) ‘Non-current portion of contingent consideration payable’ amounted to Saudi Riyals 3.84 million have been reclassified to ‘Non-controlling interest put option and other liabilities’ on the face of consolidated statement of financial position.

b) ‘Unclaimed dividend’ amounted to Saudi Riyals 3.1 million have been reclassified from ‘Accruals and other liabilities’ on the face of consolidated statement of financial position as ‘Dividends payable’.

P.O. Box 5043, Jeddah 21422, Kingdom of Saudi Arabia
Tel : +966 12 629 3366 Fax : +966 12 629 3380 E-mail : sadafco@sadafco.com www.sadafco.com