Trusted by
Generations

SAUDIA DAIRY & FOODSTUFF COMPANY

ANNUAL REPORT 2021-22

بسم الله الرحمن الرحيم

King Salman bin Abdulaziz Al-Saud

The Custodian of the Two Holy Mosques

His Royal Highness Prince Mohammed bin Salman bin Abdulaziz Al-Saud

Crown Prince, Deputy Prime Minister and Minister of Defense of the Kingdom of Saudi Arabia

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السعودية
saudia
It's all about
Oat
مشروب
الشوفان

01

Strategic and Management Review

Vision

Impossible is nothing

Mission

- Delighting consumers with nutritious, delicious and sustainable products
- Accelerating profitable growth
- Building Added Value to the community, environment and all stakeholders

Values

- Trust
- Respect
- Integrity
- Passion
- Lead & Learn
- Excellence

MESSAGE FROM THE CHAIRMAN

On behalf of the Board of Directors of Saudia Dairy & Foodstuff Company (SADAFCO), it is my pleasure to present to you SADAFCO's overall performance including Annual Report for the twelve months ending 31st March 2022.

On behalf of the Board of Directors of Saudia Dairy & Foodstuff Company (SADAFCO), it is my pleasure to present to you SADAFCO's overall performance including Annual Report for the twelve months ending 31st March 2022. This document includes the Financial Year-End Results, the Auditor's Report, SADAFCO's growth and our vision.

While the world is strongly emerging from the pandemic, we – as individuals - have learned lessons about the importance to stay connected and provide care to the people around us. And as organizations, we have learned that we can be better positioned if we adapt to adverse circumstances. The staff's persistence, commitment, and loyalty at difficult time for all have enabled SADAFCO to continually provide and supply our nutritious and healthy products to the society. Hence, since COVID-19 started, we have never been out of stock on essential products. We can take the pride that SADAFCO was strong even in the crisis time, showing compassion through contributions in cash and products in Saudi Arabia and several countries in the region, in addition to the educational and vocational programs that positively impact communities.

During 2021-22 our company made sales of SAR 2,170Mln resulting in a Net profit of SAR 209Mln. We were able to register a marginally higher revenue from past year, albeit at a higher cost of doing business as explained above. Earnings per share of SAR 6.48 is lower than last year due to reduction in Net Profit of SAR 51Mln (20%). However, the trajectory of achievement (vs LY) has been improving every quarter during this year, as we increased price in last quarter of this FY to partially offset the costs while retaining our core customers.

We have been able to maintain the SAR 6/share dividend.

Our Ice cream journey continues with full capacity production at the new state-of-the-art Ice Cream Factory. Our 10-year Ice Cream plan is well on its way to achieve good results with the new plant, higher distribution and increased assortment coupled with higher engagement of the consumer.

We have developed our ESG further from last year and have finalized the roadmap which the company will take. We have laid ground-breaking stone of the new Makkah depot (cost of SAR 27mln) which will be completed during 2022-23 to provide capacity for the anticipated demand increase over the next few years.

The share buy-back program has been extended during the year based on the EGM approval, and is currently valid till 14 Nov 2022.

Our company vision is its north star crowned with the values of passion and the courage to innovate and embrace change, and the quality of execution.

Finally, on behalf of SADAFCO's Board of Directors, I would like to thank the outgoing CEO Mr Wout Matthijs for his dedicated, diligent, and inspiring service over the last 14 years. Under his tenure, the company's market value grew six-fold, leaving it in a very solid financial and market position. At the same time, the Board of Directors welcomes Mr Patrick Stillhart as the incoming CEO and wish the company well under his proven growth-oriented and result-focused strategic approach.

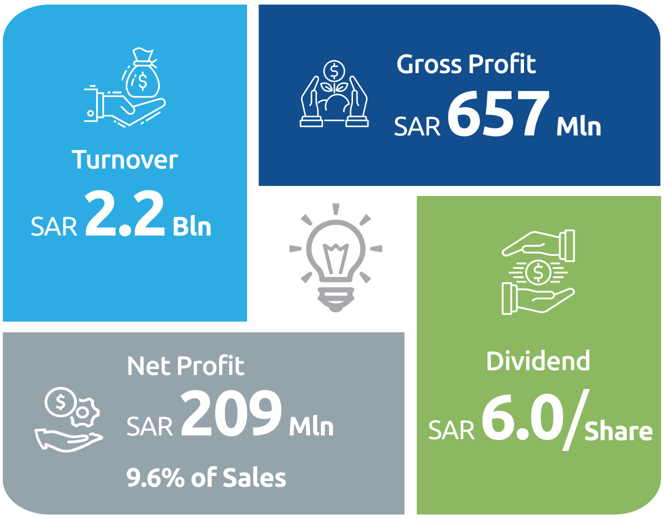
On behalf of SADAFCO's Board of Directors, I would like to express gratitude to the Custodian of the Two Holy Mosques, His Royal Highness the Crown Prince, and the Government of Saudi Arabia for their continued support to the private sector in the Kingdom. SADAFCO is dedicated to supporting Vision 2030 goals, and the Ministry of Industry and Mineral Resource's "Made in Saudi" initiative.

My appreciation goes to my fellow Board Members, Shareholders, Executive Management and all SADAFCO employees for their dedicated support and commitment in keeping SADAFCO strong.

Chairman Board of Directors

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Over fiscal year 2021/2022 SADAFCO delivered:



I am pleased to share with you the detailed annual report 21/22; my first as CEO. We delivered solid financial performance and results remained stable despite the impact of COVID-19 pandemic on industries and supply chains. Despite easing of restrictions and the world slowly getting back to the 'new normal', businesses were confronted with extraordinary challenges. Geopolitical tensions added to the already tensed situation, resulting in a further acceleration of inflationary trends and supply chain challenges in our Q4.

Despite all challenges, SADAFCO continued to have stable revenue streams vs LY. Net profit is at SAR 209 Mln and showing a positively improving trend quarter after quarter.

Overall costs which started increasing with COVID-19 have accelerated further and cost increase has expanded to majority of food stuff, across the world, resulting in profit decline. We did increase consumer prices in last quarter of FY, a difficult decision to make for our customers and consumers, which improved profitability and upward trajectory.

Market share have shown a good trend, particularly in Ice Cream but also in UHT Dairy and Tomato Paste we were able to regain shares in Q4.

We continue to maintain a healthy stock cover to mitigate potential obstacles to free flow of goods. We have also started locking in contracts for a longer duration given the continued upward fluctuation in Key Raw material prices.

I arrived in Jeddah to take over as CEO in November 2021. At the outset, I found a very well-run company which has all the ingredients for sustainable profitable growth. After a settling in period, we defined our SADAFCO-Vision 2030:

- The fundaments of the vision are 'Our SADAFCO Culture', 'Our SADAFCO purpose' and "ESG".
- Our mission is:
  - To delight consumers with delicious nutritional, sustainable and convenient products addressing the need-states of Base Nutrition, Enhanced Nutrition, Pleasure & Reward and Taste Enhancement
  - Leading to acceleration of profitable growth
  - Adding value to all stakeholders

We have started our SADAFCO cultural journey to refine our purpose, culture, and values and to ensure we can provide an inspiring working environment to our people, unlocking the potential of everyone to further accelerate profitable growth.

We will remain productive and innovative, and ESG will be a big focus driver for us in the coming years. You will see reporting and dashboard for the first time in this regard. It is a journey which will enrich life of all stakeholders with time.

We also worked on big new projects. To name only a few examples, Jeddah milk factory realignment and end-of-line automation project has been concluded and is already giving dividends in automation, efficiency, and waste reduction. Not to mention creation of jobs with enhanced skills.

The pandemic has not stopped us our solid determination and journey of success and achievements, thereby a new Ice Cream Factory was opened. It can make 22,000 sandwiches per hour, which means the ability to feed the sandwiches to nearly the entire population of KSA in 2 months.

The unit was opened by the Minister of Industry and Mineral Resources, His Excellency Mr Bandar bin Ibrahim Al Khorayef. We launched Oat drink this year, an excellent addition to our Soy and the consumer response has been great. This expansion gives consumers more choices and caters to newly developing needs. We believe this niche will become more mainstream and we can gain a substantial share of this segment. Part of a global trend "Saudia" continues to play its vital role in contributing to SADAFCO's success. The new advertisement campaigns (Ice Cream sandwich & Sensations and Tomato Paste) are attracting new consumers and enhancing the attributes and values of the brand.

There is a monumental shift both in lifestyle and market dynamics. Consumer habits and preferences are fast changing. We feel we are well positioned to take advantage of these shifts through our innovation platform, identification of right products and demographic segment, right offering, and our speed to market. The future looks good, and we are ready to embrace it – IMPOSSIBLE IS NOTHING.

On behalf of my Management Team, I would like to thank the Board of Directors for their continuous support, our dedicated and hard-working staff including our customers & suppliers and last and most importantly, our consumers whom we intend to delight every day.

Patrick Stillhart
Chief Executive Officer

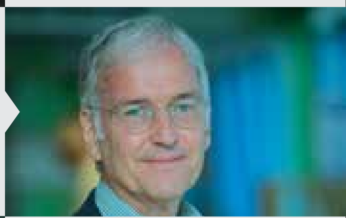
EXECUTIVE MANAGEMENT

Patrick Stillhart
Cheif Executive Officer

Shehzad Altaf
Chief Financial Officer

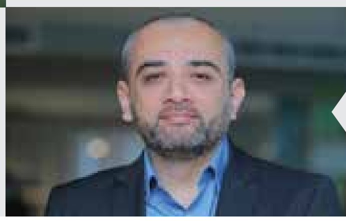
Brian Strong
Director Supply Chain

Paul van Schaik
Director Organizational Development



Devasheesh Singh
Director Commercial Operations

Jim Versteylen
Director Marketing



Umar Farrukh
General Manager Frozen

INTRODUCTION

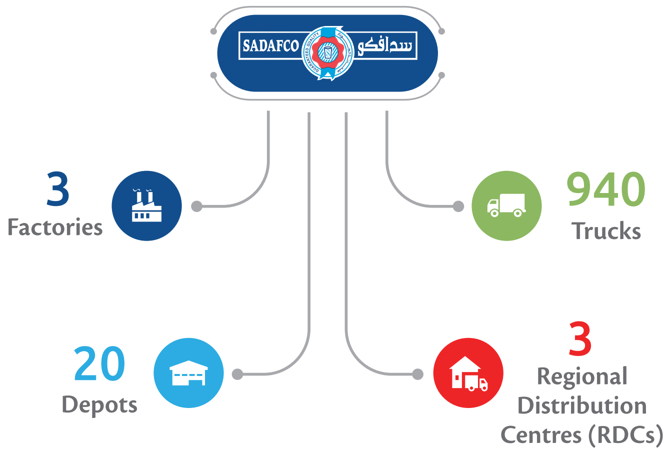
SADAFCO achieved net sales of SAR 2.170 billion in 2021-22, reflecting a year-on-year increase of 3%. It also improved its market shares in key product categories (Milk, Tomato Paste & Ice Cream), indicating strong consumer loyalty towards the Company brands. The Company's total asset base expanded to SAR 2.286 billion, registering growth of 3% over last year. The total shareholder equity of the Company stands at SAR 1.540 billion, an increase of 5% over previous year. As at 31st March 2022, SADAFCO's market capitalization was 5.5 billion vs. SAR 5.3 billion on 31st March 2021.

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 170 Stock Keeping Units (SKU) with its core products being marketed under its flagship Saudia brand. Other trademarks in the portfolio include Crispy, Baboo, Sensations, More and UFO.

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 Centers (RDCs) in Riyadh, Jeddah and Dammam and 20 depots across Saudi Arabia, Bahrain, Kuwait, Jordan and Qatar. The Company operates a fleet of 940 trucks and vans for its primary and secondary distribution network.



SADAFCO's products are also sold to selected Middle Eastern and North African markets such as Libya, Yemen, Mauritania, Iraq, Djibouti, Somalia, Sudan, UAE and Palestine along with USA and Brunei 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.

PRODUCTS AT A GLANCE

MILK

SADAFCO's Plain milk product category comprises of items like whole milk, low-fat milk, skimmed milk, gold milk, junior milk, flavored, functional Milk, and instant milk powder. SADAFCO commenced operations with the production of UHT (Ultra High Temperature pasteurized) Milk in 1977. These products are marketed under the flagship "SAUDIA" brand.

58.1%
*Market Share

TOMATO

Tomato Products include Tomato Paste and Tomato Ketchup. SADAFCO was the first company in Saudi Arabia to launch tomato paste in Tetra Pak in 1989. These products are marketed under the "SAUDIA" brand.

52.1%
*Market Share

ICE CREAM

Ice cream product line was launched in 1979. Over the years, SADAFCO has launched variety of new products to establish itself and increase sales in this segment. Ice creams are available in tubs, cones, push-ups, sandwich, cups, bars and sticks. These products are marketed under 'SAUDIA' and 'BABOO' brands.

28.3%
*Market Share

*As per Nielsen, market share on MAT basis as of Mar-22.

CHEESE

SADAFCO launched cheese product line in 1991. It's range of products include Feta cheese, Feta Tubs and Triangles. The company is a leading domestic producer of bulk feta cheese sub-segment. These products are marketed under the "SAUDIA" brand.

SNACKS

SADAFCO entered the snacks market in 1995, by acquiring Sara Snacks factory. The Snacks range consist of two well-known formats: Crispy Rings and Letters, each of these are offered in individual and family size.

OTHERS

SADAFCO also offers range of other products including butter, French fries, still & flavored water, EVAP, cream etc. Most of these products are sold under 'SAUDIA' brand. New products included in this category are expected to contribute to the growth of the company with the company having plans to widen its product portfolio through constant product innovation.

SUPPLY CHAIN

This year SADAFCO's manufacturing base has seen the completion of several long term investments principally focused on increasing capabilities in all factories to meet ever-changing consumer needs. The continued focus on automation and operation systems have again generated significant efficiency gains in Manufacturing and further down the Supply Chain.

Jeddah Milk Reorientation Project

New lines have been introduced over the years to meet the sales demand, thereby increasing capacity. Consequently, the factory experienced space constraints due to this expansion. Production area became overcrowded and lacked proper workflow owing to the excessive labor required to run the factory. At the same time, there were technological developments and upgrades resulting in financials and environmental benefits. Over the past 5 years, we worked to create space in the factory and used the technological advantages to improve efficiency.

Processing and mixing areas were renovated and upgraded to permit the inline mixing of more local content (fresh milk). These works were all linked with space utilization to allow for relocation of project. Finally, all 12 production filling lines were put in a straight line which are connected to robot palletizers and automatic roll-on loading of tucks from the factory. Apart from creating more space for future growth, we also took advantage of having a more ergonomically designed factory where employees can work in an improved environment, which is lighter, and reduces walking distance. All of this led to an overall increase in efficiency by reducing conversion cost, improving product quality, optimizing use of higher skilled workforce and increasing line efficiencies.

Digital Milk Factory

At end of 2021 the milk factory embarked into creating a proactive manufacturing execution system that will reduce cost, and support continuous improvements and LEAN initiatives.

Digitization ensures error-proof processes and provides a complete electronic audit trail of all manufacturing activity as well as real-time visibility which is necessary to produce consistency in product quality each time. Manufacturing processes eliminate the need for in-process manufacturing reviews and dramatically reduces final review and release time. This offers a competitive advantage that will yield better customer satisfaction not to mention the opportunity to recognize revenue faster.

The new Digital Factory will transform manufacturing process through insights and intelligence powered by data collections and digital SOP (standard operation procedure) integration. The holistic and real-time data generated by this digital milk factory increases efficiency, productivity, traceability, supplier performance and environmental compliance. It also improves control of manufacturing workflows and the movement of everything from raw materials to work-in-progress and finished goods. This provides real-time access to operational data, so managers can quickly overcome roadblocks and inefficiencies, such as:

- Traceability tree for RM (raw materials) and PM (packaging materials)
- Productivity measurement OEE (Overall Equipment Efficiency) criteria
- Digital SOP (standard operation procedure) preparation
- Recipe standardization
- Data collection and reliability
- Standard Measurement and description for each KPI (key performance indicators)
- Define KPI tolerances and targets
- RM (Raw Material) and PM (Packaging Material) wastage point identification and data collections
- Backflush report would be automated rather than manual
- Operator checks frequency, definition, and type (auto or manual)
- Problem escalation procedures internal and external
- Fault finding
- Problem resolution techniques

Facility being inaugurated by the Minister of Industry and Mineral Resources, His Excellency Mr Bandar bin Ibrahim Al Khorayef.

The potential financial savings after considering food & safety, traceability, productivity, sustainability, waste reduction is conservatively estimated at a total SAR 44 Million over the following 10 years which are over and above the non-tangible benefits.

Jeddah New Ice Cream Factory

The closing down of the old ice cream factory was completed with the consolidation of the new ice cream facility on the same site as the milk factory. This new factory has space to service the aggressive growth plans for our ice cream business for the next 10 years. The focus in the layout of new factory has been to increase the efficiency by adding a new automated mixing facility and new extrusion line. Also, this new factory has sufficient space to add more lines and herding tunnels to meet the future output requirements.

Next to the new ice cream factory, a new Frozen Jeddah Central Warehouse (FJCW) has been constructed with a capacity of 6,000 pallets, which started operating at the end of April-21. FJCW's primarily role is to relieve storage pressure from our 22 sales depots and to accommodate stock build-up before the peak summer season.

Dammam Factory – Tomato Paste

In late August 2021, we commenced decommissioning the old and obsolete Tetra Pak Spiraflow plant at our Dammam Factory. This was one of our Tomato Paste processing plants which had served SADAFCO for over 25 years.

The area was cleared, floor was retiled, and made ready with upgraded services for the new GEA Tomato Paste Plant which arrived (on site) late September of 2021. Installation took place during October with commissioning in early November for the new plant to be ready for the stock build up during the Ramadan Promotional period.

This new GEA plant replaced a 2 tonne per hour plant, and has been designed so that in the future when additional capacity is required it can run up to 5 tonnes per hour.

Other Supply Chain Developments

All three SADAFCO factories and our sales depot in Riyadh, are certified with ISO22000:2018 (for Food Safety), ISO14001:2015 (for Environment) and ISO 45000:2018 (for Occupational Health & Safety). All four factories (including JCW) are also formally Halal certified, Dammam site is a certified Organic tomato paste producer.

In planning function, integration of Distribution Resource Planning (DRP) System has started which allows more time for validation and better fact-based decision making. It will also allow us to move forward on implementing other modules in coming fiscal years. These Modules will enable us to gather and adjust all the relevant data on one end-to-end platform, facilitating the planning at different levels (Factories, central distribution point, depots and loading of sales vans) with stock level policies.

COMMERCIAL

Much like the last financial year, this has been a unique year. While the first half of the financial year was weak, the second half has provided growth to the business and sets the company back on a strong growth trajectory. While FMCG performance in 2020 was led by COVID-19 induced consumer stock up and VAT increase, 2021 was largely affected by consumers rationalising purchases due to pressure on the wallet and rising inflation. Overall FMCG and Dairy markets remained flat on a value basis in 2021.

Market share of Ice Cream increased by 220 bps to 28.3%

Market share of Total Plain UHT Milk is 58.1%

Key Category trends

The overall Plain Milk market was on a declining trend in 2021 owing to deep discounting of prices and rationalisation of consumer spending. However, with the easing of deep discounting in the last quarter of 2021, there are signs of recovery for the Saudia brand. On Flavored milk, Saudia Value shares grew almost 3 points on a Moving Annual total basis, spurred by strong brand campaigns and improved distribution and visibility in stores.

On Tomato Paste as well, there is a slight recovery on Saudia Sales and shares in recent months. Modern Trade shows encouraging growth in recent months whereas on Traditional channels, where syndicated data is less reliable, there is a marked improvement in Distribution, especially of the convenient 70gm pack on back of focused distribution drives and other activities. In recent months, we have executed the 1st season of the Saudia Chef campaign with great success and launched Saudia Tomato Paste's new ATL campaign in time for Ramadan.

The strongest performance this year has been on the Ice Cream segment with strong Sales, Share and Distribution growth behind new freezers being added into the market. In the last year, Saudia has maintained its leadership shares in Sandwich, Pushups and Cones, and gained overall market leadership in Tubs and Milk Sticks.

New products & innovations

In the last year, several new launches have been carried out as part of our ongoing innovation program to delight consumers and build overall Saudia presence in the market. We have launched the Middle East's first drinkable snack – Treato and followed it up with launches of Mayonnaise and a limited launch of the country's first Saudi Made Oat Drink to delight discerning Saudi consumers who passionate about the environment and their health, among others.

Key Channel trends

While our overall performance has been challenging in the Modern Trade segment with a declining trend, SADAFCO has delivered growth in ecommerce, Traditional Retail and Wholesale while the Out of Home segment has remained flat. The last quarter has seen a strong recovery in Modern Trade with overall growth in Sales, led by Milk and Tomato paste. The ecommerce space in KSA and the region has seen the strongest development in the last couple of years, with the COVID-19 situation providing rapid impetus as well. Many ecommerce specialist players, coupled with Modern retailers have expanded into the space with new opportunities almost every month. The Traditional retail channel has been SADAFCO's traditional stronghold and this year has been no exception, despite losing some traditional accounts as part of the government's much welcome e-invoicing initiative to drive better transparency in the market. The reduction in number of stores has been largely compensated by strong performance of the Local supermarkets and other Modern retail customers.

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

ORGANIZATIONAL DEVELOPMENT

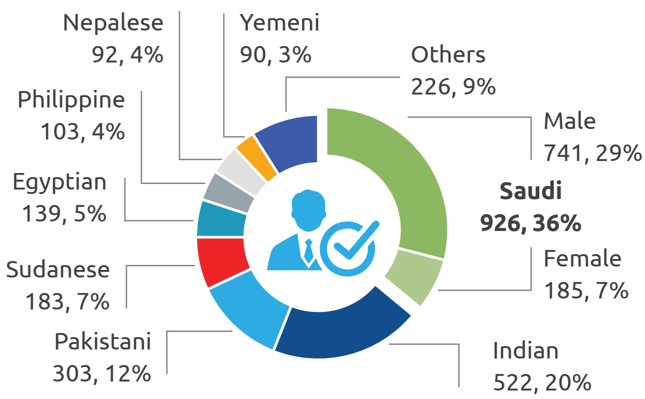
Introduction

Like last financial year, this year was also marked by COVID-19, and all that came along with it. Through an active program of providing the vaccines and booster jabs to the population, the number of new and critical cases reduced significantly. In February 2022, the Kingdom relieved many restrictions that applied. Some restrictions were relaxed within our premises, though the government guidelines and hygiene protocol remains in place which are absolutely necessary for a foodstuff company.

Working remotely remains, so is conducting virtual meetings and interviews. All of SADAFCO's staff has received both COVID-19 jabs and most have received the booster shot as well.

The pandemic not only impacted the business, but it also made it challenging to control the headcount and to assure we had the right number of people in place at the right time. We advertised positions internally before recruiting externally. SADAFCO ended the year with a headcount (including casuals) of (3,034) (KSA: 2,409, Bahrain: 71, Jordan: 53, Kuwait: 50, Qatar. We hired 397 new employees during the year compared to 392 employees hired in the previous year. Our staff is diverse and includes people from 49 different nationalities. We continue to add women to the workforce and the female headcount grew 41%, to 190 at the end of the financial year with 76% employed at our manufacturing sites. The Ice Cream Factory alone employs 76 women, a number we are looking forward to increase significantly. For SADAFCO's New Year we aim to have more than 10% women working in the company. Currently it stands at 7.27%. KSA hiring: 371 with 66% (246) Saudization files.

Nationalization within SADAFCO



For KSA alone, Saudi Nationals account for 38.4% of the total headcount with a male and female population of 30.8% and 7.7% respectively.

Development

During last year our Training & Development department facilitated learning through 1) classroom training, 2) online training and 3) on job training. It was our first full year in which we gained experience with an e-learning platform, and we shall continue to utilize the benefits of the platform in the year to come. We recorded 20,481 learning hours delivered to 906 colleagues. Among the registered learnings were 3 university degrees, 4 professional certificates, soft skills trainings, awareness sessions, functional and behavioural development trainings Total of 125 skills.

Succession planning discussions continue to be embedded in culture of the organization. IDPs (Individual Development Plans) stimulate these discussions because staff is encouraged to take responsibility of their own development, which in turn stimulates discussions between staff and their line manager. Leadership training is one method to prepare staff for future roles. In this context we joined the HADAF program to develop our future leaders.

As a social service contribution to the Kingdom, national talents were offered internships within the company. Four (4) out of the six (6) trainees joined SADAFCO upon completion of internships: in Finance, Legal Affairs, IT and in the Marketing.

In the last quarter of the year, we signed an agreement with a consultancy firm that will facilitate us in our Cultural Journey. A journey that will further develop our culture, so together we achieve our Vision 2030 mission. New values will be added to our existing values, new methods will be introduced to recruit and appraise staff to assure that SADAFCO becomes the best place to work at. To begin with, on 3rd March we celebrated 'Appreciation Day', a journey on itself that went throughout all SADAFCO and beyond.

Rewards

Despite a challenging year for the company, the performance bonus was executed to all eligible employees. Annual salary review was executed for all eligible staff.

All of SADAFCO's staff has received both COVID-19 jabs and most have received the booster shot as well

Employee Health & Wellbeing

The health programs have begun to pick up again, with the purpose that staff live healthy and maintain good health.

Communication & Connectivity

We ended the year with opening a new chapter titled 'Back to Normalcy'. After two years of challenges to keep our staff connected, it ended positively. Many efforts were employed to make sure staff is involved, connected, and engaged. Our employees have proven that our nature makes it impossible for us to be normally productive without being socially connected.

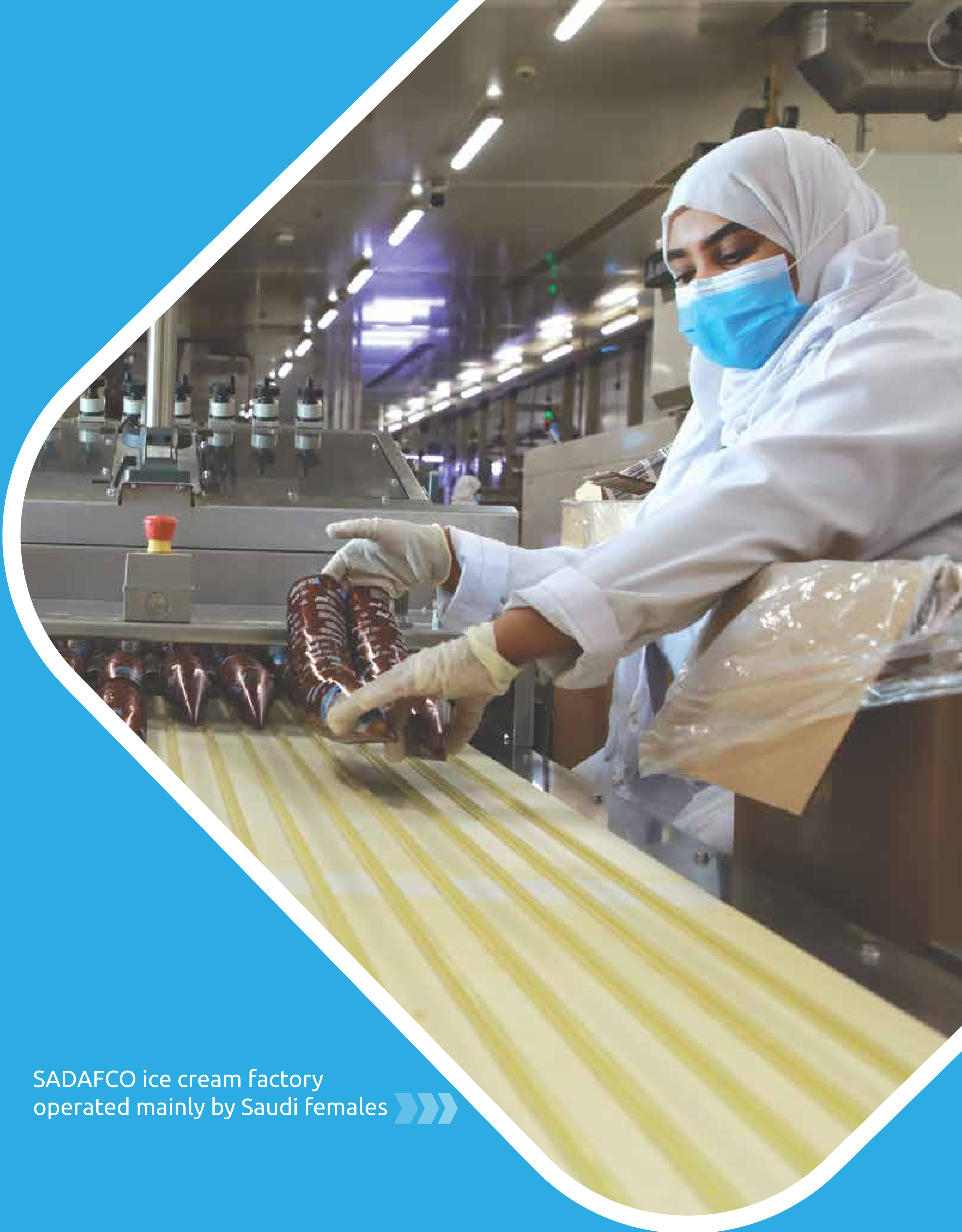
The company held Townhall meetings and this year's aim was to have such meetings on a more regular basis. Townhall meetings in SADAFCO address employees' questions and issues with top management and open the opportunity to understand the company's direction. Our new CEO introduced himself through a Townhall meeting and not long after virtually presented SADAFCO's Vision 2030 to all employees.

SADAFCO stands out with its daily internal newsletter 'Pulse'. The purpose of Pulse is to keep people well informed, engaged and connected by sharing the company's, and staff's news, initiatives, launches and training programs. During the year, the internal newsletter interviewed more than 30 employees, activated 5 awareness campaigns and programs, and shared more than 7 surveys. In the coming year, SADAFCO will look how further it can improve its communication via new channels, placing staff as the core driver for change.

In SADAFCO, we take the opportunity to celebrate National Day and National Days of the home countries of our staff. Last year's celebration of the Saudi National Day focused on Diversity & Inclusion unified by the Kingdom's theme 'It's our home'.

Last February, SADAFCO, as part of its Corporate Social Responsibility (CSR), participated in cleaning up Jeddah Makkah Road under the 'Great Environment' initiative. Together we invested 255 hours of our time and cleaned up 980 kg of trash. It was fun! The memory of this event will remain with us all, at the same time it made us aware of our social responsibility, in Saudi Arabia and everywhere else.

During our 'Cultural Journey' in the New Year, we shall continue to focus our attention to subjects mentioned above for SADAFCO and its employees.



SADAFCO ice cream factory
operated mainly by Saudi females

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

Sustainability at SADAFCO

At SADAFCO, purpose and profit go in tandem to drive long term growth and value creation for its stakeholders. We continuously align our sustainability approach to the renewed and upgraded stakeholder expectations. Our quest 'Towards Sustainability' continues to evolve and get defined and refined. We aspire to achieve meaningful results and improve the quality of life of all stakeholders through this process.

In FY21-22, we reviewed international standard like the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB) along with the ESG guidelines issued by the Tadawul stock exchange to identify the most material sustainability topics for us and our stakeholders to focus on in the coming years.

We conducted our first materiality assessment by engaging with a focus group of senior and diverse pool of employees from various company functions. The 14 material topics identified are grouped into four strategic focus pillars Consumer, Environment & Climate, People & Community and Governance.

Four pillars

CONSUMER

Commitment to consumer delight by providing innovative, high quality, nutritious and safe products

ENVIRONMENT & CLIMATE

Commitment to preserving the environment and minimizing impact of our operations on the planet

PEOPLE & COMMUNITY

Commitment to our employees and the community at large to improve inclusiveness and quality of life

GOVERNANCE

Commitment to all stakeholders to conduct our business ethically while maintaining highest standards of corporate governance

Our approach to the material topics

CONSUMER

Product Quality & Safety

We strive to provide quality products to consumers while maintaining very high safety standards. This topic addresses efforts toward enhancing product quality & safety while ensuring adherence to regulations.

Health & Nutrition

The Health & Nutrition needs of consumers are fundamental to our business principles. We strive to enhance health & well-being in society. This topic involves the process of identifying and managing products and ingredients related to nutritional and health concerns among consumers and undertaking initiatives to develop a healthier product portfolio.

Consumer Delight

We strive to be a brand of choice for consumers. Providing a delightful experience to consumers is embedded in our organisation's DNA. This topic addresses initiatives to improve consumer satisfaction and includes measuring consumer satisfaction through consumer surveys, tracking consumer complaints, and the resolution rate.

Product Innovation

SADAFCO's organisational philosophy is driven by innovation in products. Constant product innovation is essential not only for the sustainability of business but also to enhance the well-being of society at large. This topic refers to new product development initiatives and product and process improvements innovations.

ENVIRONMENT & CLIMATE

Energy Management

Energy efficiency and energy sourcing have a direct impact on climate change. We are committed to conducting our business with minimal climate impact. This topic highlights energy consumption and sourcing practices of SADAFCO.

Water Management

Access to fresh water is essential to human life and is also a human right, as recognised by the UN. We endeavour to utilise this scarce resource responsibly. This topic relates to the holistic water management efforts of the Company towards reducing water wastage, improving efficiencies in water consumption, and identifying the potential for using non-freshwater resources.

Waste Management

Waste disposal in a landfill or by incineration is an inefficient method that potentially poses a health hazard for society. SADAFCO aims to implement the best waste management practices utilising the principles of 3R (reduce, reuse, and recycle) to dispose off waste more responsibly and minimise the environmental impacts. This topic relates to hazardous and non-hazardous waste generated by the organisation and its 3R strategy.

Sustainable Sourcing & Packaging

We are working to reduce the impact of packaging on the environment and sourcing raw materials sustainably. This topic relates to sourcing raw materials and packaging and includes initiatives to move toward more sustainable sourcing and packaging practices.

PEOPLE & COMMUNITY

Employee Health & Happiness

We subscribe to the values of Trust, Respect, Integrity, Passion, Lead & Learn, and Excellence. Our approach ensures that employees are motivated, happy, valued and treated fairly. The topic relates to our policy, initiatives, employee engagement practices, growth through training & development, fair practices of employee and labour management, and occupational health & safety.

Community Impact

We take pride in being a responsible company serving society at large. The topic relates to our initiatives for social upliftment, such as CSR activities and local community initiatives.

Diversity & Inclusion

The topic relates to organisational policies and initiatives for promoting diversity and equality at work while combating discrimination. We believe that respecting and including every individual is essential regardless of age, gender, ethnicity, or nationality. It engages the workforce, fosters an environment where everyone can reach their full potential, and ensures the successful implementation of business strategy.

GOVERNANCE

Ethics & Integrity

We strive to maintain the highest standards of ethics & integrity across the organisation. The topic includes the organisation's efforts to uphold business ethics and integrity, including policies and initiatives to prevent bribery & corruption and ensure whistle-blower protection

Corporate Governance & Compliance

We have put in place processes and controls to balance the relationship between stakeholders, including shareholders, management, employees, customers, and related parties. Our approach is to elevate governance practices through initiatives to increase transparency & accountability, manage risks and conflicts of interest, and implement adequate controls to ensure compliance with the environment, regulatory and labour norms.

Data Privacy & Security

Data privacy & security is becoming exceedingly critical to SADAFCO's business as technology evolves quickly and new cyber threats emerge daily. SADAFCO's focus is on implementing strong controls to manage information technology-related risks. This topic addresses the issues related to privacy, including losses of data and breaches of privacy.

We have also aligned our sustainability roadmap with the United Nations Sustainable Development Goals (SDGs) and the National Transformation Program (NTP), which is part of Saudi Arabia's Vision 2030.

On the governance front, we put in place a sustainability governance structure to bridge gaps in transparency and accountability. The Sustainability steering committee has been constituted with the responsibility for providing oversight, guidance, and strategic direction; approving the strategy; action plans; and disclosing and reviewing performance. The committee has CXOs as its members and reports to the Board of Directors. A cross-functional task force supports the steering committee in coordination and assistance in developing strategy and action plans, reviewing the implementation of the action plans, and developing sustainability disclosures. It provides periodic updates to the steering committee.

The task force is further supported by the initiative owners who undertake implementation and regularly monitor and review the progress of sustainability activities.

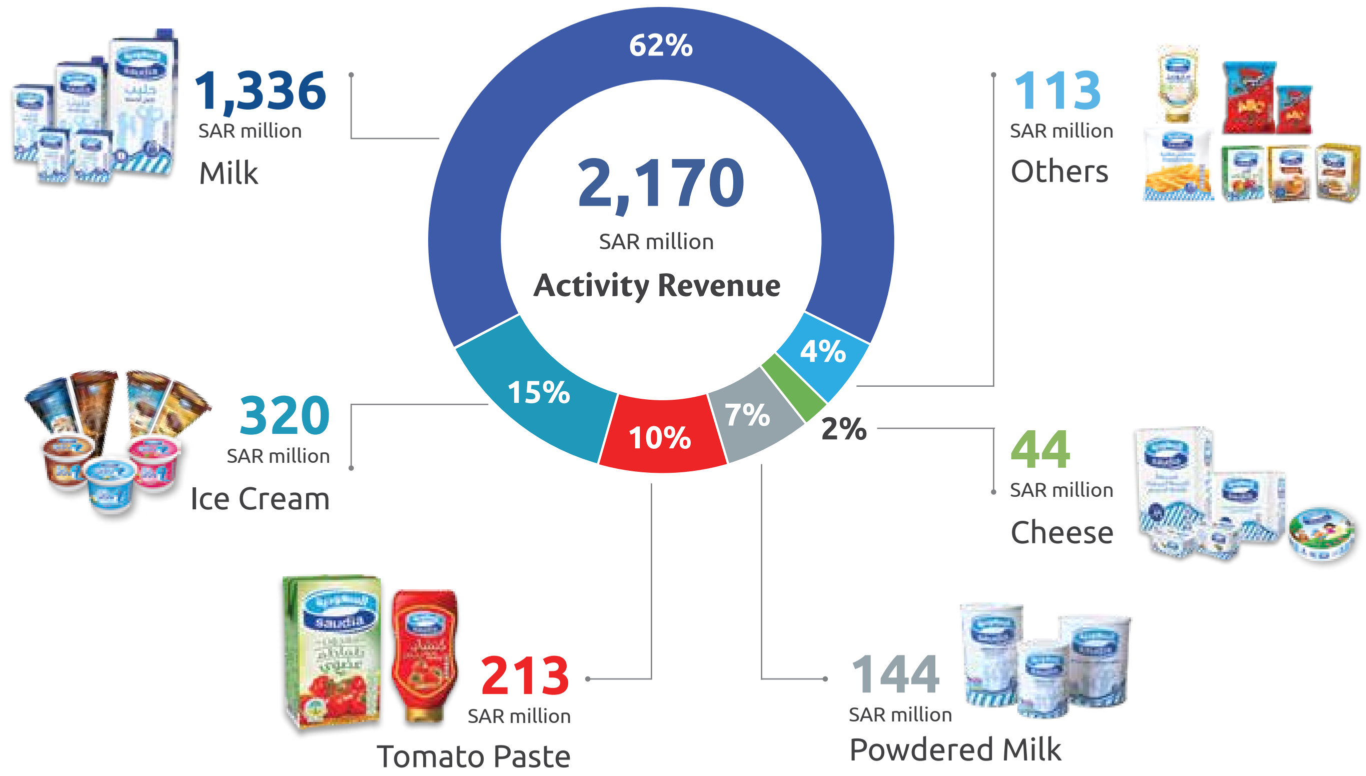
This year we are increasing the transparency of our sustainability disclosures through our first standalone sustainability report. The report contains the sustainability performance of the company's two plants in Jeddah, one in Dammam, its depots, and distribution centres in Saudi Arabia. The report has been prepared in accordance with GRI standards – Core option while giving due consideration to the guidelines issued by the Tadawul stock exchange. The full report can be accessed on our company website. Going forward, we plan to publish the sustainability report annually to ensure that our sustainability ambition, journey, and efforts are well understood by all.


Saudia
حليب
milk
WHOLE

02

Governance

MAIN ACTIVITIES FOR THE COMPANY AND ITS SUBSIDIARIES



Revenue Geographical Analysis for the Company and its Subsidiaries (SAR million)

Financial Year	KSA	GCC	Middle East	Poland	Total Revenue
2021-22	1,786	56	79	249	**2,170**
2020-21	1,811	64	71	159	**2,105**
2019-20	1,752	58	48	198	**2,056**
2018-19	1,567	58	42	146	**1,813**

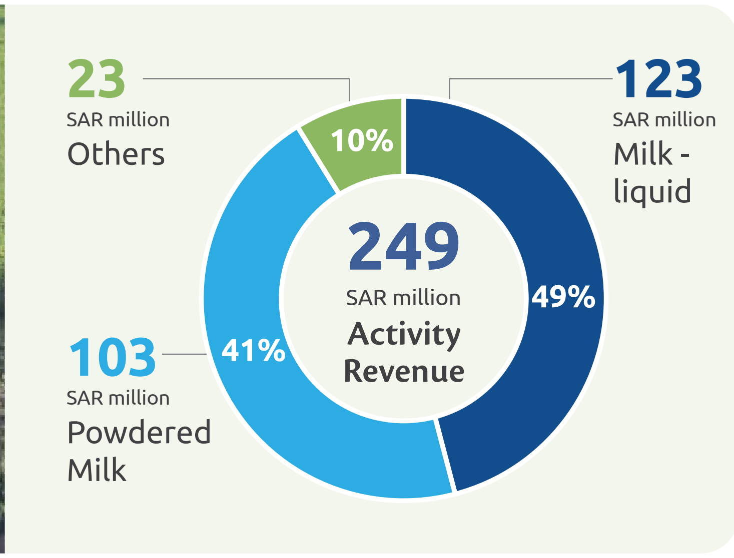
Sales Contribution by Product Category

Product	Contribution (%) 2021-22	Contribution (%) 2020-21	% Point Change
Milk	62	64	-2
Tomato Paste	10	10	0
Ice Cream	15	14	1
Powdered Milk	7	5	2
Cheese	2	2	0
Others	4	5	-1
Total	**100**	**100**	**0**

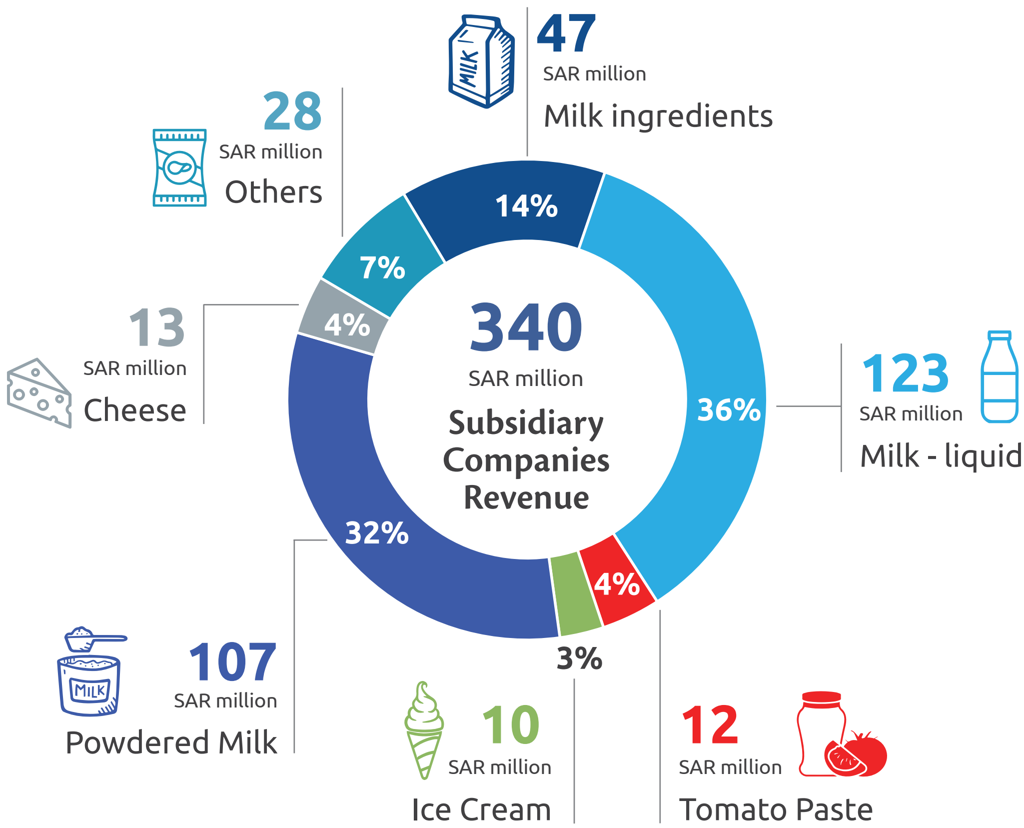
MAIN ACTIVITIES OF SUBSIDIARY COMPANIES

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

SADAFCO Poland



SADAFCO Subsidiary companies' revenue (Including SADAFCO Poland)



Revenue Geographical Analysis for Subsidiaries (SAR million)

Financial Year	GCC	Middle East	Poland	Total Revenue
2021-22	56	79	249	**384**
2020-21	64	71	159	**294**
2019-20	58	48	198	**304**
2018-19	58	42	146	**246**

Includes export sales

Sales for SADAFCO and Subsidiaries by Location

Country	Sales 2021-22 (SAR million)	Percentage (%)	Sales 2020-21 (SAR million)	Percentage (%)
Saudi Arabia	1,786	82	1,811	86
Poland	249	11	159	8
Bahrain	43	2	42	2
Qatar	0	0	0	0
Kuwait	13	1	21	1
Jordan	35	2	24	1
Export	44	2	48	2
Total	**2,170**	**100**	**2,105**	**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 W.L.L.	Import, Sale and Distribution of Dairy & Foodstuff.	Bahrain	BD 50,000	500	100%
2	SADAFCO Kuwait Foodstuff Co. W.L.L (*)	Import, Sale and Distribution of Dairy & Foodstuff.	Kuwait	KD 50,000	100	49%
3	SADAFCO Jordan Foodstuff Company LLC	Import, Sale and Distribution of Dairy & Foodstuff.	Jordan	JD 250,000	250,000	100%
4	SADAFCO Poland Sp. z o.o. ("SADAFCO Poland")	Own shares in companies and other activities	Poland	PLN 805,000	16,000	100%
	Mlekoma Sp. z.o.o.	Manufacturing of Dairy Prod-ucts	Poland	PLN 8,728,000	17,456	76%
	Foodexo Sp. z.o.o.	Manufacturing of Dairy Prod-ucts	Poland	PLN 1,000,000	2,000	76%
	Mlekoma Dairy Sp. z o.o.	Wholesale of milk, dairy products	Poland	PLN 1,000,000	1,000	37%
5	SADAFCO Qatar W.L.L.	Import, Sale and Distribution of Dairy & Foodstuff.	Qatar	QR 1,500,000	1,500	75%

* 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 (2020: 40.11% of the share capital). Both, QPIC and KIPCO are listed on Kuwait Stock Exchange.

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

KUWAIT

SADAFCO
Kuwait Fooddstuff Co. W.L.L

JORDAN

SADAFCO
Jordan Foodstuff Company LLC

QATAR

SADAFCO
Qatar W.L.L

BAHRAIN

SADAFCO
Bahrain Company LLC

POLAND

- SADAFCO Poland sp. Z.o.o.
- Mlekoma Sp. z.o.o.
- Foodexo Sp. z.o.o.
- Mlekoma Dairy Sp. z o.o

KEY PERFORMANCE INDICATORS

Performance of SADAFCO has been improving quarter upon quarter with Quarter 4 posting the strongest results of the year. The good Q4 results were driven by strong sales, price increases and efficiency gains.

A satisfactory net margin of 9.6% of SAR 209 Mln (vs 12.4%; SAR 261 Mln Last year) has been achieved despite negative impact of significant cost drivers, mainly: higher costs of our key raw materials; increased local and international logistics costs; reduced purchasing power of consumers due to full year impact of 15% VAT (vs 9 months in last year).

Sales of SAR 2,170 Mln vs (last year's SAR 2,105 Mln) has increased 3% mainly due to expansion of frozen category; value sales of ice cream + 10%, cheese +7%, tomato paste +2%, and Mlekoma 3rd party sales.

A gross margin of 30% has been achieved even with above mentioned factors due to a better mix favoring Ice Cream.

Selling and distribution expenses as % of sales maintained at 14% (SAR 311 Mln vs SAR 307 Mln).

General and administration expenses maintained at 5% of sales (SAR 113 vs. SAR 109).

Impairment losses on financial assets (provision for trade receivables) is lower by SAR 0.9 Mln (SAR 1.2 Mln vs. SAR 2.1 Mln last year) due to more effective collection process.

Other operating income representing profit on scrap sales is lower.

Finance income is lower due to decline in deposit rates offered by banks.

Zakat and income tax increase is mainly due to SAR 2.6 Mln (Nil last year) income tax as Polish operations have delivered a profit.

SADAFCO has been able to deliver a net profit of 9.6% in a challenging year through close focus on value generation activities on profitable categories while bringing efficiencies in our operations, logistics and distribution.

The year has witnessed tremendous increase in raw material and logistic costs across the world resulting in high end inflation in food prices throughout the globe. At the same time cost of doing business is also putting pressure on producers. The profit has been generated with keeping close focus on value generation activities on profitable categories while bringing efficiencies in our operations, logistics and distribution.

We are also witnessing longer school year and in-country (KSA) entertainment activities. All this bodes well for our portion/single packs which have a higher profit margin and gives more consumption opportunities to the consumers. We see improvement in our format mix due to this.

During the year Ice Cream factory has become fully operational churning out 22,000 Ice Cream sandwiches per hour enabling us to meet higher consumer demand in summer months.

Work on Makkah Depot project of SAR 27 Mln has initiated and is expected to finish in this Financial Year.

The board approved a half year dividend of SAR 3/share that was paid in January, in addition to final dividend announced in Extra ordinary general meeting of July 2021. This makes the total dividend payment of SAR 192 Mln during the year vs SAR 176 Mln last year.

We continue to generate healthy cashflow from operations and now the major projects of the company have finished reducing the need for investing activities This leads to a robust cash position of SAR 626 Mln.

Shareholders' equity up at a healthy 1.540 Bln vs 1.533 Bln at 31 Mar 2021.

Sales of SAR 2,170 Mln with a YoY growth of **3.1%**

Gross Margin remained steady at **30%**

Net profit of SAR 209 Mln with healthy net margin of **9.6%**

INCOME STATEMENT (SAR MILLION)

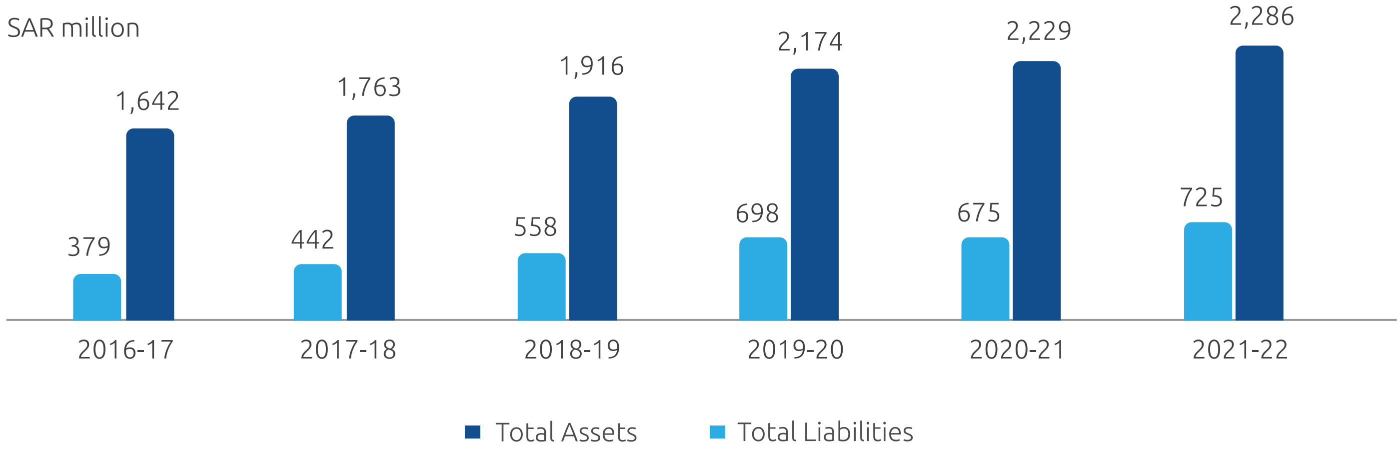
	2021-22	2020-21
Net Sales	2,170	2,105
Cost of Sales	(1,513)	(1,411)
Gross Profit	657	694
Selling & Distribution Expenses	(311)	(307)
General & Administrative Expenses	(113)	(109)
Net Other Income/ (Expenses)	4	8
Net Financial Income	(3)	(2)
Zakat	(25)	(23)
Net Profit	209	261

Business Results Comparison (SAR million)

Details	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Revenue	2,170	2,105	2,056	1,813	1,693	1,787
Cost of Revenue	-1,513	-1,411	-1,367	-1,233	-1,059	-1,097
Gross Profit	657	694	689	580	634	690
Net Profit	209	261	265	216	260	304

Assets & Liabilities Comparison (SAR million)

Details	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Current Assets	1,262	1,278	1273	1,095	1,100	1,044
Non-current Assets	1,024	951	901	821	663	597
Total Assets	**2,286**	**2,229**	**2,174**	**1,916**	**1,763**	**1,642**
Current Liabilities	517	474	498	420	329	271
Non-current Liabilities	208	201	200	138	113	108
Total Liabilities	**725**	**675**	**698**	**558**	**442**	**379**



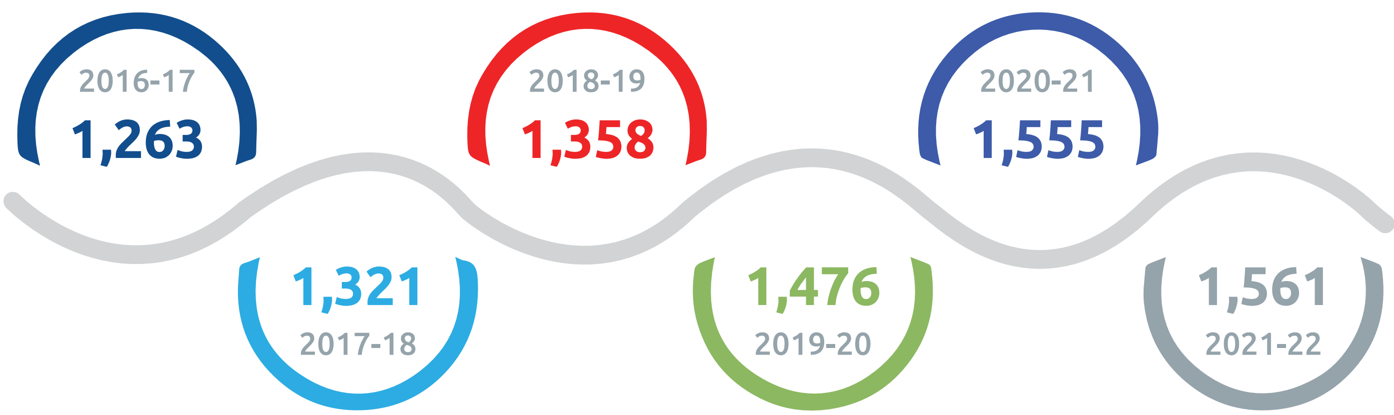
Operational Results and Major Changes (SAR million)

Details	2021-22	2020-21	Changes (+) or (-)	% of Changes	2019-20
Revenue	2,170	2,105	65	3%	2,056
Cost of Revenue	-1,513	-1,411	-103	7%	-1,367
Gross Profit	657	694	-37	-5%	689
Other Operational Expenses	-420	-409	-10	3%	-413
Operational Profit	237	285	-48	-17%	276

Statutory Payments for 2021-22 (SAR thousand)

Description	Due	Paid	Balance
Zakat, Tax and Customs Authority - Saudi Customs	24,595	24,595	-
Zakat, Tax and Customs Authority - (for Zakat, VAT, WHT & Excise Tax)	199,298	199,298	-
GOSI	16,957	16,957	-
Tadawul Contract	454	454	-
Government Fees & Visas	12,451	12,451	-
Total	**253,755**	**253,755**	**-**

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 Holding – Kuwait ▪ Chairman of Masharee Al-Khair Charity Organization – Kuwait ▪ Chairman of Gulf Egypt Hotels & Tourism Company – Egypt
2.	Mr Faisal Hamad Mubarak Al-Ayyar	Vice Chairman	Vice Chairman	Fighter Pilot, USA	▪ Vice Chairman of SADAFCO – Saudi Arabia ▪ Vice Chairman of KIPCO (Holding) – Kuwait ▪ Vice Chairman of Gulf Insurance Group – Kuwait ▪ Vice Chairman of United Gulf Holding – Bahrain ▪ Vice Chairman of United Gulf Bank – Bahrain ▪ Vice Chairman of Jordan Kuwait Bank – Jordan
3.	Mr Abdullah Yaqoob Bishara	Member	Member	International Law University, Oxford, UK	▪ Board Member SADAFCO – Saudi Arabia ▪ Board Member of KIPCO – Kuwait
4.	Mr Saied Ahmed Saied Basamh	Member	Board member in various companies	B.Sc Business Administration – Marketing & Logistics	▪ Board Member SADAFCO – Saudi Arabia ▪ Board Member - International Medical Center ▪ Chairman- Al-Khair Inorganic Chemical Industries Co ▪ Chairman - Al Khair Industries Co. for Inorganic Chemicals ▪ Board Member - Basamh Group of Companies ▪ Board Member – Sahra International Petrochemical Co. (International Sipchem) ▪ Chairman - Hala Supply Chain Services Company ▪ Board Member - IDEA International Investment & Development ▪ Board Member - Future Resources Company ▪ Board Member Sorooh Al-Madinah for Real Estate Investments Co. ▪ Board Member – Jeddah Development & Urban Regeneration Co. (JDURC)
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
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.
8.	Mr Hani Abdulaziz Ahmed Saab.	Member	Chairman and Board member in various companies	B.Sc. Business Administration – University of California San Diego, USA.	▪ Board Member SADAFCO – Saudi Arabia ▪ Chairman of Textiles and Garments Company 'Giordano Fashion Agency' ▪ Chairman of East Trading Activities Co. ▪ Chairman of Qurtubah Private School Co. ▪ General Manager of Al Faneyah Electromechanical Co. ▪ General Manager of Prime Star Technologies Co. Ltd ▪ General Manager of Allied Motors Co. ▪ General Manager of Eastern Trading Activities. ▪ General Manager of East Duct Factory. ▪ Board Member of Makkah Region Council, Chairman of the Social Development Committee. ▪ Board Member of Chamber of Commerce and Industry in Jeddah.
9.	Mr Abdullah Hamdan Abdullah Al-Nassar	Member	Member	▪ (First Division) in International Business Management – University of West London, Bachelor of Arts (Honors), United Kingdom. ▪ School (France) Management Executive Management – Grenoble. ▪ (First Division) – University of Brighton (United Kingdom MSc in Management Innovation. ▪ Business foundation – (A) Honors – Oxford Business College.	▪ Business & product Development at STC Solutions ▪ Business Owner at Fnaa alfan

Board of Directors Formation and Capacity

The Board of Directors is constituted of nine (9) members elected for the term starting 1st April 2021 and ending 31st March 2024.

Name	Capacity
HH Sheikh Hamad Sabah Al-Ahmad	Non-executive
Mr Faisal Hamad Mubarak Al-Ayyar	Non-executive
Mr Abdullah Yaqoob Bishara	Non-executive
Mr Saied Ahmed Saied Basamh	Non-executive
Mr Ahmed Mohamed Hamed Al-Marzouki	Independent

Name	Capacity
Mr Suleiman Saud Jarallah Al-Jarallah	Non-executive
Mr Mussad Abdullah Abdul Aziz Al-Nassar	Executive
Mr Hani Abdulaziz Ahmed Sabb.	Independent
Mr Abdullah Hamdan Abdullah Al-Nassar	Independent

Audit Committee

	Name	Current Position	Previous Position	Qualifications	Experiences
1.	Mr Faisal Hamad Mubarak Al-Ayyar	Vice Chairman	Vice Chairman	Fighter Pilot, USA	▪ Vice Chairman of SADAFCO – Saudi Arabia ▪ Vice Chairman of KIPCO (Holding) – Kuwait ▪ Vice Chairman of Gulf Insurance Group – Kuwait ▪ Vice Chairman of United Gulf Holding - Bahrain ▪ Vice Chairman of United Gulf Bank – Bahrain ▪ Vice Chairman of Jordan Kuwait Bank – Jordan
2.	Mr Saied Ahmed Saied Basamh	Member	Member	B.Sc Business Administration – Marketing & Logistics	▪ Board Member - International Medical Center ▪ Chairman- Al-Khair Inorganic Chemical Industries Co ▪ Board Member SADAFCO – Saudi Arabia ▪ Board Member - Basamh Group of Companies ▪ Board Member – Sahra International Petrochemical Co. (International Sipchem) ▪ Chairman - Hala Supply Chain Services Company ▪ Board Member - IDEA International Investment & Development ▪ Board Member - Future Resources Company ▪ Board Member Sorooh Al-Madinah for Real Estate Investments Co. ▪ Board Member – Jeddah Development & Urban Regeneration Co. (JDURC)
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 Ahmed Mohamed Hamed Al-Marzouki	Chairman	Chairman	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
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

	Name	Current Position	Previous Position	Qualifications	Experiences
3.	Mr Suleiman Saud Jarallah Al-Jarallah	Member	Chairman	Military School - Saudi Arabia	▪ Manager Jarallah Jewellery – Saudi Arabia ▪ Board Member SADAFCO – Saudi Arabia

Executive Management

Mr Patrick Stillhart
Chief Executive Officer

Patrick joined SADAFCO as its Chief Executive Officer in November 1, 2021. His international career expands more than 23 years in the FMCG industry; 20+ years with Nestlé and 3+ years with DKSH. Besides Switzerland, Patrick has lived and worked in UAE, Malaysia, Indonesia and Singapore. Proven track record in implementation of commercial strategies, entering new markets and develop/create operational excellence to deliver strategic objectives and transform organizations. A team-player with strong executive presence, capable of inspiring and developing teams and creating an environment of trust, respect and excellence to deliver results beyond expectations. Delivered strong results in challenging environments for complex businesses with revenues close to 2Bln USD.

Education: Patrick has a Master of Business Administration degree, with major in Marketing, from the University of St. Gallen in Switzerland. He has completed various Executive Leadership programs in Marketing, Sales, Leadership, Innovation, Digital, and Artificial Intelligence & Machine Learning (AI&ML) at several renowned business schools.

Mr Shehzad Altaf
Chief Financial Officer

Shehzad is responsible for SADAFCO's financial management, accounting and reporting practices. He has previously worked as Director Corporate Strategy & Business Development, and Director Marketing & Trade Marketing within the organization. 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 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 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.

Mr Brian Strong
Director Supply Chain

Brian is responsible for the management, development and enhancement of the process of "Plan, Source, Make and Deliver" in an efficient and cost-effective way so that the supply meets the demands of the market; the right products and goods at the right time, in the right place at the right costs. Brian has recently rejoined the SADAFCO team in November 2020 and brings with him over 25 years of FMCG experience, of which 21 years has been in KSA.

Education: Bachelor's degree in Business Administration with majors in Marketing and Management from Northwood University in Michigan, USA

Mr Jim Versteylen
Director Marketing

Jim joined SADAFCO (March 2022) as Marketing Director.

Jim Versteylen has 19 years' experience in FMCG in various commercial and marketing positions at Kraftfoods/Mondelez International. He started in 2003 in the Sales department of Kraft foods Benelux. Till 2011 he worked in several positions in the field, Key Account, Category Management & Category

Business Development departments in different product categories (Chocolate, Biscuits & Cheese, and Grocery). Starting in 2012 Jim started working in various senior marketing roles based in Belgium and The Netherlands for the chocolate category and finally leading the Gum & Candy marketing team for the BeNeLux. In 2017 he moved to Madrid and joined the leadership team Iberia where he lead for 3 years the Gum & Candy category for Southern Europe (SP/PT/IT/GR) and switched in 2020 to leading the Grocery & Cheese category.

Education: Master in Applied Economics in Antwerp and General Management in Ghent,

Mr Umar Farrukh
General Manager Frozen

Umar is responsible for building a Frozen Organization within SADAFCO through internal & external benchmarking including front & back-end investments. His responsibilities include crafting a 10-year Ambition and the consequent Business Strategy.

With almost 15 years of experience comprising of general management, marketing and sales, Farrukh specializes in developing & delivering sustainable business growth strategies.

Before joining SADAFCO in June 2019, Farrukh lead different FMCG categories including Ice Cream, Culinary, Powdered Desserts & Spreads at Unilever Pakistan during his 12 years tenure. He contributed with share gains through Advertising, Innovations & Distribution, and turned-around business profitability with E2E Restructuring Programs. As a member of the Marketing Leadership Team at Unilever Pakistan, he led channel expansion through synergies across multiple Foods & Refreshments categories with integrated selling solutions.

Education: Certificate of Achievement - The Business of Artificial Intelligence (London Business School), MBA Marketing (LUMS), B. Sc. Electrical Engineering (U.E.T)

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	▪ Chairman of SADAFCO ▪ Chairman of KIPCO Holding ▪ Chairman of Masharee Al-Khair Organization ▪ Chairman of Gulf Egypt Hotels & Tourism Company	KSA Kuwait Kuwait Egypt	Listed Listed Charity Limited	▪ Burgan Bank ▪ National Mobile Company ▪ United Real Estate Company ▪ United Gulf Bank	Kuwait Kuwait Kuwait Bahrain	Listed Listed Listed Unlisted
Mr Faisal Hamad Mubarak Al-Ayyar	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Kuwait Project Company (Holding) ▪ United Gulf Holding Company ▪ United Gulf Bank ▪ Jordan Kuwait Bank ▪ Gulf Insurance Group ▪ Panther Media Group ▪ Vice Chairman of SADAFCO – Saudi Arabia ▪ Vice Chairman of KIPCO (Holding) – Kuwait ▪ Vice Chairman of Gulf Insurance Group – Kuwait ▪ Vice Chairman of United Gulf Holding - Bahrain ▪ Vice Chairman of United Gulf Bank – Bahrain ▪ Vice Chairman of Jordan Kuwait Bank – Jordan	KSA Kuwait Bahrain Bahrain Jordan Kuwait UAE	Listed Listed Listed Unlisted Listed Listed Limited			

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)
Mr Abdullah Yaqoob Bishara	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Kuwait Project Company (Holding) ▪ Consulting Office for Strategic Studies	KSA Kuwait Kuwait	Listed Listed Limited	▪ United Real Estate Company ▪ North Africa Holding	Kuwait Kuwait	Listed Unlisted
Mr Saied Ahmed Saied Basamh	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ International Medical Center Co. ▪ Al Khair Industries Co. for Inorganic Chemicals ▪ Sahara International Petrochemical Co. (International Sipchem) ▪ Basamh Group of Companies ▪ Hala Supply Chain Company ▪ Future Resources Company	KSA KSA KSA KSA KSA KSA KSA	Listed Unlisted Unlisted Listed Limited Limited Limited	▪ Board Member – Idea International Investments & Development ▪ Sorooh Al-Madinah for Real Estate Investments Co. ▪ Board Member – Jeddah Development & Urban Regeneration Co. (JDURC)	KSA KSA KSA	Limited Limited Unlisted
Mr Ahmed Mohamed Hamed Al-Marzouki	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Saudi Arabian Drug Store ▪ Buruj Cooperative Insurance Company	KSA KSA KSA	Listed Limited Limited	▪ Swiss Premium Food ▪ Saudi New Zealand Milk Products Co. ▪ Multiple Investments for Medical Services	Egypt KSA KSA	Unlisted Limited 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
Mr Hani Abdulaziz Ahmed Sabb.	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Company 'Giordano Fashion Agency' ▪ Chairman of East Trading Activities Co. ▪ Chairman of Qurtubah Private School Co. ▪ General Manager of Al Faneyah Electromechanical Co. ▪ General Manager of Prime Star Technologies Co. Ltd ▪ General Manager of Allied Motors Co. ▪ General Manager of Eastern Trading Activities. ▪ General Manager of East Duct Factory.	KSA KSA KSA KSA KSA KSA KSA KSA KSA	Listed Limited Limited Limited Limited Limited Limited Limited Limited	▪ General Manager of Western Auto Co. ▪ Board Member of the Almadinah Press, Printing and Publishing Corporation and Chairman of the Finance Committee.	KSA KSA	Limited Limited
Mr Abdullah Hamdan Abdullah Al-Nassar	▪ Saudia Dairy & Foodstuff Co. (SADAFCO)	KSA	Listed	None	None	None

The last Extraordinary General Meeting (EGM) was held on 15 November 2021

Number and date of Board of Directors Meetings during the financial year (01/04/2021 to 31/03/2022)

The board had fifteen meetings; 2 attended and passed 20 resolutions by circulation.

Name	Attended (2)		Resolution by Circulation (20)																				Total
	05/07/2021	06/12/2021	01/04/2021	04/04/2021	12/04/2021	10/05/2021	25/05/2021	06/06/2021	13/06/2021	14/06/2021	17/06/2021	29/07/2021	18/08/2021	14/10/2021	17/10/2021	21/10/2021	24/10/2021	26/12/2021	04/01/2022	20/01/2022	16/02/2022	20/02/2022	22
HH Sheikh Hamad Sabah Al-Ahmad	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr Faisal Hamad Mubarak Al-Ayyar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr Abdullah Yaqoob Bishara	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr Saied Ahmed Saied Basamh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr Ahmed Mohamed Hamed Al-Marzouki	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr Suleiman Saud Jarallah Al-Jarallah	✗	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr Mussad Abdullah Abdul Aziz Al-Nassar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr Hani Abdulaziz Ahmed Sabb.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr Abdullah Hamdan Abdullah Al-Nassar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22

The last Extraordinary General Meeting (EGM) was held on 15 November 2021

Share Ownership of Board of Directors, Spouses and Minor Children

	Name	1st April 2021	31st March 2022	% 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 Saied Ahmed Saied Basamh Representing: Alsamh Trading Co.	3,798,008	3,798,008	-
5.	Mr Ahmed Mohamed Hamed Al-Marzouki	20,000	20,000	-
6.	Mr Suleiman Saud Jarallah Al-Jarallah	1,000	1,000	-
7.	Mr Mussad Abdullah Abdul Aziz Al-Nassar	11,000	11,000	-
6.	Mr Hani Abdulaziz Ahmed Saab.	1,750	2,000	250
7.	Mr Abdullah Hamdan Abdullah Al-Nassar	1,000	1,000	-

Share Ownership of Executive Management Team, Spouses and Minor Children

	Name	1st April 2021	31st March 2022	% Change (+/-)
1.	Mr Patrick Stillhart	0	0	-
2.	Mr Paul van Schaik	0	0	-
3.	Mr Shehzad Altaf	0	0	-
4.	Mr Brian Strong	0	0	-
5.	Mr Devasheesh Singh	0	0	-
6.	Mr Jim Versteylen	0	0	-
7.	Mr Umar Farrukh	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.

BOARD COMMITTEES

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 restrictions) to the scope of work or reaching to the required information

8) The committee should discuss with the Auditor without attendance of the management, their opinion regarding the quality, 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;

2) Analysing the internal audit reports and following up the implementation of the corrective measures in respect of the observations 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 action 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 four attended meeting and four resolutions were passed by circulation.

Audit Committee Members and their Meetings during 2021-22

Name	Capacity	Attended (4)				By Circulation (4)				Total
		28/07/2021	20/10/2021	06/12/2021	19/01/2022	09/05/2021	09/05/2021	11/05/2021	31/05/2021	
Mr Faisal Hamad Mubarak Al-Ayyar	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr Saied Ahmed Saied Basamh	Member	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr Ahmed Mohamed Hamed Al-Marzouki	Member	✓	✓	✓	✓	✓	✓	✓	✓	8

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 N&R committee held two attended meeting and two resolutions were passed by circulation.

Nomination and Remuneration Committee Members, Meetings and Resolutions during 2021-22

Name	Capacity	Attended (2)		By Circulation (2)		Total
		22/08/2021	06/12/2021	04/04/2021	06/06/2021	4
Mr Ahmed Mohamed Hamed Al-Marzouki	Chairman	✓	✓	✓	✓	4
Mr Faisal Hamad Mubarak Al-Ayyar	Member	✓	✓	✓	✓	4
Mr Suleiman Saud Jarallah Al-Jarallah	Member	✓	✓	✓	✓	4

Procedure taken to the Board to inform its members, Non-Executive Directors in particular, of the shareholders' suggestions and remarks on the Company and its performance:

Remarks, suggestions, and questions raised by the shareholders are recorded in the Ordinary/Extraordinary General Assembly's minutes. The answers for their queries are 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 06/05/2021	EGM 12/07/2021	EGM 15/11/2021
1.	HH Sheikh Hamad Sabah Al-Ahmad Representing: United Industries Company	✗	✗	✗
2.	Mr Faisal Hamad Mubarak Al-Ayyar Representing: United Gulf Bank	✗	✗	✗
3.	Mr Abdullah Yaqoob Bishara	✗	✗	✗
4.	Mr Saied Ahmed Saied Basamh	✓	✗	✗
5.	Mr Ahmed Mohamed Hamed Al-Marzouki	✓	✓	✓
6.	Mr Suleiman Saud Jarallah Al-Jarallah	✗	✓	✓
7.	Mr Mussad Abdullah Abdul Aziz Al-Nassar	✓	✓	✓
8.	Mr Hani Abdulaziz Ahmed Sabb.	✓	✓	✓
9.	Mr Abdullah Hamdan Abdullah Al-Nassar	✓	✓	✓

Number of Company's requests of shareholders records, dates and reasons thereof from 1st April 2021 to 31st March 2022:

No. of Request	Date of Request	Reason
1	13/07/2021	Dividend
1	09/01/2022	Dividend

DETAILS OF COMPENSATION AND REMUNERATION

Board Members

	Fixed Remuneration (SAR)							Variable Remuneration (SAR)						End of Service Benefit (SAR)	Grand Total (SAR)	Expenses Allowance (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			
Independent Members																
Mr Ahmed Mohamed Hamed Al-Marzouki	400,000		60,000				460,000								460,000	
Mr Hani Abdulaziz Ahmed Sabb	400,000						400,000								400,000	
Mr Abdullah Hamdan Abdullah Al-Nassar	400,000						400,000								400,000	
Total	**1,200,000**		**60,000**				**1,260,000**								**1,260,000**	
Non-Executive Members																
HH Sheikh Hamad Sabah Al-Ahmad	400,000						400,000								400,000	
Mr Faisal Hamad Mubarak Al-Ayyar	400,000		60,000				460,000								460,000	
Mr Abdullah Yaqoob Bishara	400,000						400,000								400,000	
Mr Saied Ahmed Saied Basamh	400,000		40,000				440,000								440,000	
Mr Suleiman Saud Jarallah Al-Jarallah	400,000		20,000				420,000								420,000	
Total	**2,000,000**		**120,000**				**2,120,000**								**2,120,000**	
Executive Members																
Mr Mussad Abdullah Abdul Aziz Al-Nassar	400,000				703,455		1,103,455							50,975	1,154,430	
Total	**400,000**				**703,455**		**1,103,455**							**50,975**	**1,1,54,430**	

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)	5,704,208	1,900,146		7,604,354			1,212,000	215,000		1,427,000	494,180		9,525,534
Total	**5,704,208**	**1,900,146**		**7,604,354**			**1,212,000**	**215,000**		**1,427,000**	**494,180**		**9,525,534**

* SADAFCO has complied with the disclosure of the components of the senior executives' remuneration on aggregate in line with the requirements of subparagraph (b) of paragraph (4) of Article 93 of the Corporate Governance Regulations issued by CMA, but to protect the interests of the Company, its shareholders and employees, and to avoid any damage that may occur as a result of disclosing the detailed senior executives' remuneration by position, the Company did not disclose the details as per Appendix (1) of the CG Regulations.

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		40,000	40,000
2.	Mr Saied Ahmed Saied Basamh		40,000	40,000
3.	Mr Ahmed Mohamed Hamed Al-Marzouki		40,000	40,000
	Total		**120,000**	**120,000**

Remuneration for Nomination & Remuneration Committee

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

Remunerations & Compensations of the Board Members, Committees and Executive Management Policy

First: Objectives

This Policy is prepared as per Companies' Law, its Executive Regulations, Corporate Governance Regulations issued by the Capital Market Authority and the Corporate Bylaw, and shall not be amended only upon a recommendation by the Shareholders' General Assembly for an approval, unless the regulations and instructions issued by such authorities include otherwise.

This Policy aims at attracting persons with academic, technical, administrative qualifications, retaining and training them to perform their duties professionally and effectively to commensurate with the company's activities and purposes. In addition, it aims at setting clear and specific standards and conditions explaining to shareholders the Company's terms, conditions, and procedures for granting remunerations to the members of the Board of Directors, Committees, and Executive Management.

Second: Rules & Standards of Remunerations & Compensations

Without prejudice to the provisions of the Companies' Law, Capital Market Authority Regulations, and their Executive Regulations, and the Corporate Bylaw, remuneration policy shall take into account the following:

- To be consistent with the Company's strategy, objectives, and required skills of the Company management, provided that it shall be fair and commensurate with member's scope of specialty, the duties and responsibilities performed by the Board members, and the objectives designated by the Board to be achieved during the financial year.
- To provide remuneration in order to encourage the members of the Board of Directors and the Executive Management to achieve the success of the Company and its long-term development, by for example making the variable part of the remuneration linked to the long-term performance.
- To determine remuneration based on job level, duties and responsibilities, educational qualifications, practical experiences, skills, and level of performance.
- To be consistent with the magnitude, nature and level of risks faced by the Company.
- To take into consideration other companies' practices in determining remunerations, and avoid the disadvantages of such comparison in leading to unjustifiable increases of remunerations and compensations. The remunerations of the Board of Directors' members may vary based on the members' experiences, duties, and number of sessions attended.
- To attract talented professionals, retain and motivate them without exaggeration.
- Such remuneration shall be reasonably sufficient for attracting, motivating, and retaining qualified and experienced members.
- Such remuneration shall be prepared in coordination with the Nomination and Remuneration Committee for new appointments, and based on the recommendation of the Nomination and Remuneration Committee.
- To take into consideration the company scope of business, magnitude, and the experiences of its Board of Directors members.
- To suspend or reclaim remuneration when determined that such remunerations were set based on inaccurate information provided by a member of the Board or the executive management, in order to prevent abuse of power to obtain unmerited remunerations.
- In case of regulating the grant of Company's shares to the Board members and the Executive Management, whether newly issued or purchased by the Company, such action is supervised by the Nomination and Remuneration Committee and shall follow the Corporate Bylaw and the related regulations and policies of Capital Market Authority.

Third: The Remunerations of the Board Members

1. The remuneration of the Board of Directors' members consists of a certain amount of money, attendance allowance, in kind, or a percentage of net profit- two of the mentioned benefits may be combined together. In case if the remuneration is a percentage, Articles (24) and (50) of the Company's

Bylaw Article (76) of Corporates' Law must be followed, and the amount of the member's benefits shall not exceed more than SAR (500,000) annually. The member is entitled to the remuneration from the effective date of membership.

2. The Board report to the Ordinary General assembly shall be comprehensive, including all benefits received by the members during the financial year, remunerations, expense allowances etc., the cash received by members, as employees and executives, or as per their exerted efforts including their technical, administrative, and consulting performances. In addition, the report shall include, the number of sessions attended by every member from the last date of the General Assembly meeting, pursuant to the Companies Law, Capital Market Authority Regulations and its Executive regulations.
3. The remunerations of the independent members of the Board shall not be a percentage of the achieved Company's incomes, or based, directly or indirectly, on the Company's profitability.
4. Remunerations may vary as per the member's experience, specialty, duties, independence, and the number of sessions attended along with other considerations.
5. The Board of Directors may not vote for the remuneration article of the Board' members during the Shareholders General Assembly.
6. A member of the Board may receive a remuneration or salary for any additional executive, technical, administrative, or consulting performances assigned by the Company, in addition to the received remuneration as a member of the Board and its committees as per the Companies Law, the Corporate Bylaw, CMA Regulations and its Executive regulations.
7. Remunerations in form of shares may be granted for the Board of Directors members after meeting the bylaws and procedures in this regard.
8. The Company shall cover the cost of traveling-ticket for members living outside Jeddah city.
9. The Company shall cover the cost of five- star hotels stay and tickets, whenever the meeting is convened outside Jeddah city.
10. All round-trip tickets for members shall be on the First and Business classes.

Fourth: Remunerations of Committees

The Policy of each Committee shall include the remunerations pertained to its members.

Fifth: Remunerations of the Executive Management

The remuneration of the Executive Management includes:

1. Basic monthly salary to be paid at the end of every Gregorian month.
2. Allowances, including but not limited to, housing allowance or providing residence, transportations allowance or providing a car, telephone allowance, and children education allowance.
3. Insurance advantages, including but not limited to, medical insurance, and life insurance.
4. Fixed remunerations and compensations as per contracts of labor with senior executives. They may receive annual remunerations based on the performance assessment and the achievement of the annual results of the Company specified by the Board. The assessment of the senior executives is mainly based on their professional performance during the year and their achievement of the company's strategic goals.
5. Other advantages, including but not limited to, annual leave, annual airway travel tickets, and end of service remuneration.

Sixth: Revision and Enforcement

1. Remuneration and Nomination Committee is specialized in the periodical revision of this policy, assessing effectiveness in achieving its purposes. This policy is subject to periodical updating and revision-when needed, by the Remuneration and Nomination Committee. Any suggested amendments shall be presented by the committee to the Board. The Board will analyse and revise these amendments and submit recommendations for the approval of the Shareholders General Assembly.
2. This Policy will be effective and enforceable from the date of its approval by the Company Shareholders General Assembly.

3. Texts or rules, whatsoever, not stated in this Policy, will be subject to the application of the Saudi Companies' Law, the Capital Market Authority and its Executive Regulations and decisions issued by the concerned bodies.

This Policy will be published, after an approval by the Shareholders General Assembly, in the company website or via any other means for enabling the shareholders, the public and the stakeholders to review it.

The relation between the paid remuneration and the adopted Remuneration Policy:

Based on the remuneration policy of the Board of Directors and its Committees and Executive Management, mentioned above, and in light of the remuneration paid for the Board, its Committees, and the Executive Management and what is proposed for the Board, SADAFCO conforms compliance with the approved policy without any deviation from it.

MAJOR SHAREHOLDERS OWNING 5% OR MORE AND CHANGES DURING THE FINANCIAL YEAR

	Name	Number of Shares on 1st April 2021	Number of Shares on 31st March 2021	Percentage Ownership on 1st April 2020	Percentage Ownership on 31st March 2021	% 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, risk management and governance processes and ensures that such systems are operating properly. 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.

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, which once finalized needs to be activated.

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	11.28	1.4

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

SADAFCO entered into a one-year agreement with Al Buruj Cooperative Insurance Company (offering insurance services) with a total amount of SAR 11,277,724, starting on 1st July 2021 and ending on 30th June 2022 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. Also, to be considered that Mr Ahmed Al Marzouki is a BOD Member of both Buruj Cooperative Insurance Company and SADAFCO (Indirect interest).

Company Name	Country	Nature of Transaction	Value (SAR million)	Closing Balance (SAR million)
PKC Advisory	India	Consultation Services	1.054	0.00

SADAFCO has a Consultancy Agreement with PKC Advisory for various business advisory services for the period of one year from 1st April 2021 until 31st March 2022 with a total amount SAR 1,015,654, since PKC Advisory is part of Kuwait Investment Projects Company (KIPCO) Group. Noting that Sheikh Hamad Sabah Al Ahmed and Mr Faisal Hamad Al-Ayyar are the Chairman and Vice Chairman of both SADAFCO and KIPCO, respectively. Also, to be considered that Mr Abdullah Yagoub Bishara is a BOD Member of both KIPCO and SADAFCO (indirect interest).

Company Name	Country	Nature of Transaction	Value (SAR million)	Closing Balance (SAR million)
AXA Cooperative Insurance Co	KSA	Insurance Services	0.634	0

SADAFCO entered into a one-year Agreement with AXA Cooperative Insurance Co. (offering insurance services) with a total amount of SAR 634,200, starting on 16th December 2021 and ending on 15th December 2022 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 which owns 50% in AXA Cooperative Insurance Co. Also, Gulf Insurance Company is part of Kuwait Investment Projects Company (KIPCO) Group. Noting that Sheikh Hamad Sabah Al Ahmed and Mr Faisal Hamad Al-Ayyar are the Chairman and Vice Chairman of both SADAFCO and KIPCO, respectively. Also, to be considered that Mr Abdullah Yagoub Bishara is a BOD Member of both KIPCO and SADAFCO. (indirect interest).

Company Name	Country	Nature of Transaction	Value (SAR million)	Closing Balance (SAR million)
M/s Alternative Energy Project Co.	KUWAIT	Solar Project of JCW	2.9	0

SADAFCO has an Agreement with Alternative Energy Projects Company (AEPC) on 14th February 2021 to Supply, install, test, Commissioning of and Operation & Maintenance for Solar Rooftop Photovoltaic Energy System at Central Warehouse located in Saudi Arabia – Jeddah until the full completion of the Project with a total amount SAR 4,620,000, since Alternative Energy Projects Company (AEPC) is part of Kuwait Investment Projects Company (KIPCO) Group. Noting that Sheikh Hamad Sabah Al Ahmed and Mr Faisal Hamad Al-Ayyar are the Chairman and Vice Chairman of both SADAFCO and KIPCO, respectively. Also, to be considered that Mr Abdullah Yagoub Bishara is a BOD Member of both KIPCO and SADAFCO (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..
3. The Company should have a sound liquidity position and be able to reasonably foresee the scale of its profits,
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 01/04/2021 to 31/03/2022			Total Dividend
	1st Half Year Dividend	Final Dividend recommended for distribution	
%	30%	30%	60%
Total (SAR million)	**96**	**96**	**192**

MAJOR DECISIONS AND FUTURE PLANS

New Makkah Depot

SADAFCO Board of Directors approved authorizing the Executive Management to proceed with the construction of a new Depot in Makkah on the leased land from Saudi Industrial Property Authority (Modon) for a period of 20 years commencing 10-09-1441H measuring 8,009 sqm in Makkah Industrial City.

The new Depot which replaces the existing rented location is expected to provide long-term infrastructure solutions to both the distribution and logistic operations, resulting in future cost savings and growth opportunities.

Buyback of Treasury Shares

No. of Shares	Value	Date of Purchase	Details of Use
500,250	SAR 51.6 Mln	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. Subsequent resolutions were passed at EGM's held on 3rd December 2019 and 18th November 2020, extending the buyback window by another 12 months. 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. As at 31st March 2021 SADAFCO has 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.

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

i) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. At March 31, 2022 and 2021, the Group does not have any borrowings and accordingly no interest rate risk sensitivity is presented. Interest bearing financial assets comprises of short term murabaha deposits which are at fixed interest rates; therefore, have no material exposure to cash flow interest rate risk and fair value interest rate risk.

ii) Currency risk

Currency risk is the risk that 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) Price risk

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

iv) Credit risk

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

(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, 2022, the Group had 5 customers that accounted for approximately 43% (March 31, 2021: 48%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 82% (2021: 88%) in KSA, 4% (2021: 5%) in GCC (other than KSA) and 14%% (2021: 7%) 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 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 provision matrix takes into account historical credit loss experience (24 quarter-periods) and is adjusted for average historical recovery rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate, 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.

v) Liquidity risk

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

PENALTIES AND SANCTIONS

The total fines or penalties imposed on the company during the fiscal year 2021/2022 amounted to SAR 1,661,640 and their details are as follows:

Penalty/Fine/Precautions Precautionary Attachment	Reasons of Violation	The Authority Imposed the Violation	Total Amount (SAR)	Treatments and ways of avoiding its occurrence in the future
Fine	Traffic violations	Ministry of Interior-Traffic	1,094,200	Following the regulatory requirements
Fine	Violations of licensing requirements	Transport General Authority	384,440	Following the regulatory requirements
Fine	Labour violations	Labour office	183,000	Following the regulatory requirements
Total			**1,661,640**	

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.

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, their relatives 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 did not acquire treasury shares during the financial year ending 31 March 2022

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 COMPLIANCE

Corporate governance articles unimplemented and the reasons

Article/Sub Article	Details of Article / Sub Article	Reasons
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 Member.	Guiding article.
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 under taken 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 under taken 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 under taken by Audit Committee.

Article/Sub Article	Details of Article / Sub Article	Reasons
85 / 2	**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 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.	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. Disclosing 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.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Financial Statements

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022
AND INDEPENDENT AUDITOR'S REPORT

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2022

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 consolidated financial position of Saudia Dairy & Foodstuff Company (SADAFCO) (the "Company") and its subsidiaries (together the "Group") as at March 31, 2022, 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 Chartered and Professional 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, 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of financial position as at March 31, 2022;
- the consolidated statement of changes in equity for the year ended March 31, 2022;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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 matter	• Carrying value of goodwill

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.

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

Our audit approach

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
Carrying value of goodwill As at March 31, 2022, the Group had goodwill amounting to Saudi Riyal 16.7 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 International Accounting Standard 36 *Impairment of assets* ("IAS 36"), 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 the 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 part of management. The critical judgmental elements of management's assessment were: (a) assumptions concerning the expected economic conditions, especially growth, beyond the forecasted period, in the markets in which Mlekoma primarily operates; (b) earnings before interest, taxes, depreciation and amortisation (EBITDA) margins; and (c) discount rate used in the value-in-use cash flow model. *Refer to Note 4 and Note 14 for estimates, judgements and assumptions made in applying the accounting policy and for 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 model and compared it to that required by IAS 36. • 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 review of the methodology of the value-in-use calculations and use of assumptions of discount rates and long-term growth rates. • Tested the arithmetical accuracy of the underlying calculations in the value-in-use model. • Reviewed the sensitivity analysis, performed by management, over key assumptions 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 the notes to the accompanying consolidated financial statements.

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.

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

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

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

PricewaterhouseCoopers

برايس وترهاوس كوبرز
محاسبون قانونيون
ترخيص ٣٢٣/١١/٢٥/١
س.ت ٤٠٣٠٢٨٩٠٠٢
PRICEWATERHOUSECOOPERS
CERTIFIED PUBLIC ACCOUNTANTS
Lic No. 323/11/25/1
C.R. 4030289002

Mufaddal A. Ali
License Number 447

May 16, 2022

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, 2022	2021
Revenue – net	6	**2,170,327**	2,105,398
Cost of revenue	8	**(1,513,697)**	(1,411,572)
Gross profit		**656,630**	693,826
Selling and distribution expenses	9	**(311,422)**	(306,661)
General and administrative expenses	10	**(113,439)**	(108,526)
Impairment losses on financial assets	17	**(1,202)**	(2,107)
Other operating income		**6,617**	8,931
Operating profit		**237,184**	285,463
Finance income		**4,400**	6,159
Finance costs		**(7,310)**	(7,767)
Profit before zakat and income tax		**234,274**	283,855
Zakat and income tax	22	**(25,222)**	(22,962)
Profit for the year		**209,052**	260,893
Profit is attributable to:			
Owners of SADAFCO		**207,291**	260,553
Non-controlling interests		**1,761**	340
		209,052	260,893
Earnings per share:			
Basic and diluted earnings per share attributable to owners of SADAFCO (Saudi Riyals)	11	**6.48**	8.14

The notes from 1 to 30 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Patrick Stillhart	Shehzad Altaf
Member Board of Directors	Chief Executive Officer	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, 2022	2021
Profit for the year		**209,052**	260,893
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(7,138)**	(4,463)
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	26	**(3,726)**	(3,574)
Other comprehensive loss for the year		**(10,864)**	(8,037)
Total comprehensive income for the year		**198,188**	252,856
Total comprehensive income for the year is attributable to:			
Owners of SADAFCO		**198,855**	252,518
Non-controlling interests		**(667)**	338
		198,188	252,856

The notes from 1 to 30 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Patrick Stillhart	Shehzad Altaf
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, 2022	2021
Assets			
Non-current assets			
Property, plant and equipment	12	**935,403**	860,729
Right-of-use assets	13	**64,954**	63,155
Intangible assets	14	**18,462**	21,975
Other non-current assets		**5,656**	5,537
		1,024,475	951,396
Current assets			
Inventories	16	**359,421**	302,223
Trade and other receivables	17	**242,084**	227,194
Deposits, prepayments and other assets	18	**34,478**	35,332
Cash and cash equivalents	19	**625,962**	713,290
		1,261,945	1,278,039
Total assets		**2,286,420**	2,229,435
Liabilities			
Non-current liabilities			
Employee benefit obligations	26	**128,145**	119,794
Lease liabilities	13	**56,107**	53,721
Non-controlling interest put option and other liabilities	15	**24,229**	26,881
		208,481	200,396
Current liabilities			
Trade and other payables	23	**191,501**	168,971
Accruals and other liabilities	24	**287,898**	267,188
Due to related parties	25	**1,403**	2,332
Current portion of lease liabilities	13	**10,526**	10,119
Dividends payable		**3,176**	3,388
Zakat and income tax payable	22	**22,081**	22,222
		516,585	474,220
Total liabilities		**725,066**	674,616
Equity			
Issued share and paid up capital	20	**325,000**	325,000
Statutory reserve	20	**162,500**	162,500
Other reserve	20	**303,172**	282,443
Treasury shares	20	**(51,559)**	(51,559)
Foreign currency translation reserve		**(11,506)**	(6,796)
Retained earnings		**812,596**	821,758
Equity attributable to owners of SADAFCO		**1,540,203**	1,533,346
Non-controlling interests		**21,151**	21,473
Net equity		**1,561,354**	1,554,819
Total liabilities and equity		**2,286,420**	2,229,435

The notes from 1 to 30 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Patrick Stillhart	Shehzad Altaf
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**	**Net equity**
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
Profit for the year	-	-	-	-	-	260,553	260,553	340	260,893
Other comprehensive loss	-	-	-	-	(4,461)	(3,574)	(8,035)	(2)	(8,037)
Total comprehensive loss / income for the year	-	-	-	-	(4,461)	256,979	252,518	338	252,856
Other changes in non-controlling interest	-	-	-	-	-	-	-	1,496	1,496
Dividends declared (Note 29)	-	-	-	-	-	(175,999)	(175,999)	-	(175,999)
Transfer to other reserve (Note 20)	-	-	26,055	-	-	(26,055)	-	-	-
Balance at March 31, 2021	325,000	162,500	282,443	(51,559)	(6,796)	821,758	1,533,346	21,473	1,554,819
Profit for the year	-	-	-	-	-	207,291	207,291	1,761	**209,052**
Other comprehensive loss	-	-	-	-	(4,710)	(3,726)	(8,436)	(2,428)	**(10,864)**
Total comprehensive loss / income for the year	-	-	-	-	(4,710)	203,565	198,855	(667)	**198,188**
Other changes in non-controlling interest	-	-	-	-	-	-	-	345	**345**
Dividends (Note 29)	-	-	-	-	-	(191,998)	(191,998)	-	**(191,998)**
Transfer to other reserve (Note 20)	-	-	20,729	-	-	(20,729)	-	-	-
Balance at March 31, 2022	**325,000**	**162,500**	**303,172**	**(51,559)**	**(11,506)**	**812,596**	**1,540,203**	**21,151**	**1,561,354**

The notes from 1 to 30 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar Member Board of Directors	Patrick Stillhart Chief Executive Officer	Shehzad Altaf 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, 2022	2021
Cash flow from operating activities			
Profit before zakat and income tax		**234,274**	283,855
Adjustments for:			
Depreciation and amortization	12, 13 & 14	**104,339**	104,395
Gain on disposal of property, plant and equipment		**(729)**	(1,099)
Impairment losses on financial assets	17	**1,202**	2,107
Finance costs on lease liabilities	13	**2,568**	2,884
(Reversal of) / finance costs on non-controlling interest put option and other liabilities - net	27	**(1,364)**	3,303
Finance costs on contingent consideration payable	27	**-**	516
Loss on derecognition of contingent consideration payable	27	**917**	-
Reversal of provision for slow moving and obsolete inventories	16	**(14)**	(401)
Provision for employee benefit obligations	26	**15,637**	15,683
Others		**(119)**	109
		356,711	411,352
Working capital			
Inventories		**(57,184)**	55,805
Trade and other receivables		**(16,092)**	(13,333)
Deposits, prepayments and other assets		**854**	18,235
Trade and other payables		**22,530**	(52,201)
Accruals and other liabilities		**23,588**	28,889
Due to related parties		**(929)**	51
Cash flow from operating activities		**329,478**	448,798
Employee benefit obligations paid	26	**(11,012)**	(12,504)
Zakat and income tax paid	22	**(25,363)**	(21,679)
Net cash inflow from operating activities		**293,103**	414,615
Cash flow from investing activities			
Purchase of property, plant and equipment	12	**(166,875)**	(152,429)
Sale proceeds from disposal of property, plant and equipment		**1,571**	1,742
Net cash outflow from investing activities		**(165,304)**	(150,687)
Cash flow from financing activities			
Dividends paid to owners of SADAFCO	29	**(192,210)**	(176,086)
Payment for contingent consideration	27	**(3,925)**	(4,500)
Change in non-controlling interest		**345**	1,496
Lease payments	13	**(13,513)**	(15,049)
Net cash outflow from financing activities		**(209,303)**	(194,139)
Net change in cash and cash equivalents		**(81,504)**	69,789
Effects of exchange rate fluctuations on cash and cash equivalents		**(5,824)**	(2,338)
Cash and cash equivalents at the beginning of the year		**713,290**	645,839
Cash and cash equivalents at the end of the year	19	**625,962**	713,290

The notes from 1 to 30 form part of these consolidated financial statements.

Mussad Abdullah Al Nassar	Patrick Stillhart	Shehzad Altaf
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended March 31, 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

1 General Information

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

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

The Group's registered office is located at Al Nakheel District, P.O. Box 5043, Jeddah 21422, Kingdom of Saudi Arabia.

These consolidated financial statements were authorized for issue by the Board of Directors on May 16, 2022.

Impact of COVID - 19

In response to the spread of COVID-19 in Gulf Cooperation Council ("GCC") countries and other markets in which the Group operates, and its resulting disruptions to the social and economic activities in those markets over the last two years, the Group's management continues to proactively assess its impacts on its operations. The preventive measures taken by the Group in April 2020 are still in effect including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Access of fully vaccinated individuals to offices and manufacturing facilities has been restored. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. Globally, there has been significant drop in the number of registered cases. As a result, restrictions related to COVID-19 such as social distancing, travel bans, requirement for travellers to present a negative PCR or rapid antigen test on arrival test have been lifted. The underlying demand from retail and wholesale customers for the Group's products has been largely unaffected due to it. Based on these factors, management believes that the COVID-19 pandemic has had no material effect on Group's reported financial results for the year ended March 31, 2022 and no significant changes were required to the key judgements and estimates. The Group is continuously monitoring the evolving scenario and any change in the judgements and key estimates will be reflected as part of the operating results and cash flows of the future reporting periods.

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Preparation of the consolidated financial statements

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

- Non-controlling interest put option 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
- Derivative financial instruments and certain non-current assets measured at fair value.

2 Basis of preparation (continued)

2.3 New standards and amendments applicable from April 1, 2021

The following standards and interpretations are applicable for the first time for the year ended March 31, 2022:

- Interest Rate Benchmark Reform – Amendments to IFRS 7, IFRS 9 and IAS 39; and
- COVID-19-related Rent Concessions – Amendments to IFRS 16.

The amendments listed above did not have any impact on the amounts recognised by the Group in the consolidated financial statements in prior periods and current year.

2.4 Standards, interpretations and amendments issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for March 31, 2022 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 based on the management's initial assessment.

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

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.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended March 31, 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

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.

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 27 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 Significant accounting policies (continued)

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

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

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

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended March 31, 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

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 but this period does not exceed one year. 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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

3.8 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.

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	6.7-25
• 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.

3.9 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.

SAUDIA DAIRY & FOODSTUFF COMPANY (SADAFCO)
(A Saudi Joint Stock Company)
Notes to the consolidated financial statements for the year ended March 31, 2022
(All amounts in Saudi Riyals thousands unless otherwise stated)

3 Significant accounting policies (continued)

3.9 Intangible assets (continued)

Brands, customer and supplier relationships

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

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

3.10 Zakat and income taxes on foreign entities

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

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

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

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

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

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

3 Significant accounting policies (continued)

3.11 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.

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.

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.

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, 2022 and 2021, 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.

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3 Significant accounting policies (continued)

3.12 Financial instruments

Non-Derivative Financial instruments

(i) Financial assets (Non-derivative)

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 or 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.

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.

3 Significant accounting policies (continued)

3.12 Financial instruments (continued)

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.

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.

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3 Significant accounting policies (continued)

3.12 Financial instruments (continued)

(ii) Financial liabilities (Non-derivative)

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.

Derivative Financial instruments

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

3.13 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.

3.14 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 Significant accounting policies (continued)

3.15 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.

3.16 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.

3.17 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.

3.18 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.

3.19 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.

3.20 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.

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3 Significant accounting policies (continued)

3.20 Employee benefit obligations (continued)

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.

3.21 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.

3.22 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.

3.23 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.

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

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

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

(i) Goodwill - Annual impairment testing of goodwill

The Group's management tests whether goodwill has suffered any impairment at least on an annual basis. This requires an estimation of recoverable amounts of the cash-generating units to which the goodwill is allocated. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, EBITDA margins and the terminal growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value-in-use are disclosed and further explained in Note 14 to the consolidated financial statements.

(ii) Non-controlling interest put options

The fair value of non-controlling interest put options are recognised at the present value of redemption amount based on discount future cash flow analysis. The Group uses its judgment to select a variety of methods, and assumptions made are based on market and Group specific conditions existing at each reporting period. Further details are explained in Note 15 to the consolidated financial statements.

(iii) Measurement of post-employment defined benefits

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

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high quality bonds obligation, as designated by an internationally acknowledged rating agency are considered, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. Further details are explained in Note 26 to the consolidated financial statements.

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

The Group has applied judgment to determine the lease term for some lease contracts in which it is a lessee that 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. Refer Note 13 for further details.

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4 Critical accounting estimates and judgments (continued)

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.

Extension and termination options are included in a number of leases of the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.
The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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

Measurement of ECL is a significant estimate that involves the determination of the methodology, models and data inputs. The Group used supportable forward-looking information for measurement of ECL. The most significant forward-looking information used in determination of ECL is disclosed in Note 28.

5 Group information

The consolidated financial statements of the Group include:

Name	**Relationship**	**Principal activities**	**Country of incorporation**	**% equity interest March 31, 2022**	**% equity interest March 31, 2021**
SADAFCO Bahrain Company LLC	Subsidiary	Foodstuff and dairy products	Bahrain	**100%**	100%
SADAFCO Jordan Foodstuff Company LLC	Subsidiary	Foodstuff and dairy products	Jordan	**100%**	100%
SADAFCO Qatar W.L.L.	Subsidiary	Foodstuff and dairy products	Qatar	**75%**	75%
SADAFCO Kuwait Foodstuff Co. W.L.L (*)	Subsidiary	Foodstuff and dairy products	Kuwait	**49%**	49%
SADAFCO Poland Sp. z o.o. ("SADAFCO Poland")	Subsidiary	Holding company	Poland	**100%**	100%
Mlekoma Sp. z o.o. (**)	Subsidiary	Dairy products	Poland	**76%**	76%
Foodexo Sp. z o.o. (**)	Subsidiary	Dairy products	Poland	**76%**	76%
Mlekoma Dairy Sp. z o.o.(**)	Associate	Dairy products	Poland	**37%**	37%

(*) Remaining equity interest is beneficially held through parties nominated by the Company.
(**) These entities together are referred to as "Mlekoma group".

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 (2021: 40.11% of the share capital). Both, QPIC and KIPCO are listed on Kuwait Stock Exchange.

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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.

	Drinks	Non- drinks	Unallocated	Total
For the year ended March 31, 2022				
Segment profit or loss				
Segment revenue – net	1,249,181	1,023,798	-	2,272,979
Inter-segment revenue – net	(29,358)	(73,294)	-	(102,652)
Revenue from external customers	1,219,823	950,504	-	2,170,327
Profit before zakat and income tax	125,690	108,585	-	234,274
Depreciation and amortization	67,478	36,861	-	104,339
Finance income	-	2,986	1,414	4,400
Finance cost	2,131	5,179	-	7,310
As at March 31, 2022				
Segment assets				
Property, plant and equipment	631,006	304,397	-	935,403
Right-of-use assets	53,671	11,283	-	64,954
Intangible assets	-	18,462	-	18,462
Other non-current assets	-	5,413	243	5,656
Current assets	-	74,545	1,187,400	1,261,945
Total assets	684,677	414,100	1,187,643	2,286,420
Segment liabilities				
Current liabilities	8,324	39,518	468,743	516,585
Non-controlling interest put option	-	24,229	-	24,229
Lease liabilities	46,500	9,607	-	56,107
Employee benefit obligations	-	280	127,865	128,145
Total liabilities	54,824	73,634	596,608	725,066
For the year ended March 31, 2021				
Segment profit or loss				
Segment revenue – net	1,310,963	912,198	-	2,223,161
Inter-segment revenue –net	(33,798)	(83,965)	-	(117,763)
Revenue from external customers	1,277,165	828,233	-	2,105,398
Profit before zakat and income tax	175,294	108,561	-	283,855
Depreciation and amortization	72,035	32,360	-	104,395
Finance income	-	3,050	3,109	6,159
Finance costs	3,367	4,400	-	7,767
As at March 31, 2021				
Segment assets				
Property, plant and equipment	596,397	264,332	-	860,729
Right-of-use assets	51,866	11,289	-	63,155
Intangible assets	-	21,975	-	21,975
Other non-current assets	-	5,294	243	5,537
Current assets	-	63,053	1,214,986	1,278,039
Total assets	648,263	365,943	1,215,229	2,229,435

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6 Segment information (continued)

6.1 Operating segment (continued)

	Drinks	Non- drinks	Unallocated	Total
As at March 31, 2021				
Segment liabilities				
Current liabilities	7,577	37,798	428,845	474,220
Non-controlling interest put option and other liabilities	-	26,881	-	26,881
Lease liabilities	44,504	9,217	-	53,721
Employee benefits obligations	-	261	119,533	119,794
Total liabilities	52,081	74,157	548,378	674,616

The management has categorised its geographical operations as follows:

Geographic information	**2022**	**2021**
Revenue from external customers		
Kingdom of Saudi Arabia	**1,786,320**	1,810,894
Poland	**249,261**	159,404
Gulf Cooperation Council (GCC) countries	**56,066**	63,607
Others	**78,680**	71,493
	2,170,327	2,105,398
Non-current operating assets		
Kingdom of Saudi Arabia	**947,237**	864,576
Poland	**59,028**	66,318
Gulf Cooperation Council (GCC) countries	**13,729**	17,644
Others	**4,481**	2,858
	1,024,475	951,396

6.2 Reconciliation of profit

	2022	**2021**
Profit before zakat and income tax	**234,274**	283,855
Zakat and income tax	**(25,222)**	(22,962)
Profit for the year	**209,052**	260,893

7 Capital management

At March 31, 2022 and March 31, 2021, 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 currency translation reserve. The primary objective of the Group's capital management is to maximize the shareholder value.

The Group manages its capital structure and makes adjustment in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders or issue new shares. Refer to Note 28.

8 Cost of revenue

	Note	2022	2021
Material cost		**1,189,261**	1,085,281
Employee cost		**149,948**	156,985
Depreciation	12 & 13	**59,298**	57,099
Transportation cost		**45,102**	43,243
Other overheads		**70,088**	68,964
		1,513,697	1,411,572

9 Selling and distribution expenses

	Note	2022	2021
Employee costs		**174,750**	177,874
Advertising and sales promotion		**47,399**	45,185
Depreciation	12 & 13	**36,520**	38,267
Repairs and maintenance costs		**11,333**	8,520
Fuel and transportation cost		**5,436**	3,110
Utilities		**4,687**	5,250
Insurance		**3,633**	3,738
Communication		**2,592**	2,218
Others		**25,072**	22,499
		311,422	306,661

10 General and administrative expenses

	Note	2022	2021
Employee costs		**71,737**	68,470
Depreciation and amortisation	12, 13 & 14	**8,521**	9,029
Subscription cost		**5,098**	2,752
Directors' remuneration		**3,800**	2,800
Communication		**3,446**	2,070
Repairs and maintenance costs		**2,706**	2,819
Insurance		**1,201**	759
Government related expenses		**1,968**	1,116
Others		**14,962**	18,711
		113,439	108,526

11 Earnings per share

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

	2022	2021
Profit attributable to owners of SADAFCO	**207,291**	260,553
Weighted average number of ordinary shares outstanding (in thousands)	**32,000**	32,000
Basic and diluted earnings per share	**6.48**	8.14

Treasury shares

As of March 31, 2022 and 2021, the Company held 51,559 treasury shares.

	2022	2021
Treasury shares	**51,559**	51,559

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12 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, 2020	524,553	1,030,686	242,660	101,252	68,989	1,968,140
Additions	576	3,296	872	625	147,060	152,429
Disposals	(325)	(3,701)	(12,760)	(447)	(261)	(17,494)
Transfers	7,287	50,764	18,466	1,114	(77,631)	-
Exchange differences	(2,072)	(2,164)	(97)	(278)	(155)	(4,766)
March 31, 2021	530,019	1,078,881	249,141	102,266	138,002	2,098,309
Accumulated depreciation						
April 1, 2020	242,044	661,099	184,919	82,553	-	1,170,615
Charge for the year	17,834	44,856	17,502	5,815	-	86,007
Disposals	(58)	(3,677)	(12,669)	(447)	-	(16,851)
Exchange differences	(341)	(1,582)	(79)	(189)	-	(2,191)
March 31, 2021	259,479	700,696	189,673	87,732	-	1,237,580
Net book value at March 31, 2021	270,540	378,185	59,468	14,534	138,002	860,729
Cost						
April 1, 2021	530,019	1,078,881	249,141	102,266	138,002	**2,098,309**
Additions	215	1,473	285	114	164,788	**166,875**
Disposals	(230)	(9,781)	(10,563)	(1,289)	-	**(21,863)**
Transfers	90,761	149,299	28,384	9,720	(278,164)	**-**
Exchange differences	(1,481)	(21)	(586)	645	(1,673)	**(3,116)**
March 31, 2022	**619,284**	**1,219,851**	**266,661**	**111,456**	**22,953**	**2,240,205**
Accumulated depreciation						
April 1, 2021	259,479	700,696	189,673	87,732	-	**1,237,580**
Charge for the year	18,611	47,869	17,309	5,836	-	**89,625**
Disposals	(230)	(8,813)	(10,691)	(1,287)	-	**(21,021)**
Exchange differences	(204)	(517)	(173)	(488)	-	**(1,382)**
March 31, 2022	**277,656**	**739,235**	**196,118**	**91,793**	**-**	**1,304,802**
Net book value at March 31, 2022	**341,628**	**480,616**	**70,543**	**19,663**	**22,953**	**935,403**

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

	Note	2022	2021
Cost of revenue	8	**57,447**	54,303
Selling and distribution expenses	9	**26,843**	26,149
General and administrative expenses	10	**5,335**	5,555
		89,625	86,007

(b) The ownership interest of the Group in a freehold land held in Madinah amounting to Saudi Riyals 1.54 million (March 31, 2021: 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 166.9 million (2021: Saudi Riyals 152.4 million) mainly represent capitalisation of new ice cream factory, automation of Jeddah milk factory and sales vans.

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13 Leases

(i) The Group's leasing activities and how these are accounted for:

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

Leases are recognised as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The Group's weighted average incremental borrowing rate applied to the lease liabilities ranges from 2.6% to 4.29%. 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.

At March 31, 2022 and 2021, the Group did not have any lease contracts classified as right-of-use asset that are variable in nature. As at March 31, 2022 and 2021, certain leases contain extension options exercisable solely by the Group before the end of the non-cancellable contract period. The Group does not provide residual value guarantees in relation to any of its leases.

(ii) Amounts recognized in the consolidated statement of financial position:

Right-of-use assets

	Land	Buildings	Vehicles	Total
At April 1, 2020	40,922	15,459	15,783	**72,164**
Additions	5,179	308	3,514	**9,001**
Depreciation	(2,180)	(4,788)	(8,721)	**(15,689)**
Termination	(2,321)	-	-	**(2,321)**
At March 31, 2021	**41,600**	**10,979**	**10,576**	**63,155**
Additions	-	-	13,765	**13,765**
Depreciation	(2,140)	(3,369)	(6,532)	**(12,041)**
Currency difference	-	-	75	**75**
At March 31, 2022	**39,460**	**7,610**	**17,884**	**64,954**

Lease liabilities

	2022	2021
Opening balance	**63,840**	69,325
Addition	**13,765**	9,001
Payments made	**(13,513)**	(15,049)
Interest charged	**2,568**	2,818
Termination	**-**	(2,255)
Exchange differences	**(27)**	-
Closing balance	**66,633**	63,840

Contractual undiscounted cashflows pertaining to lease liabilities as of March 31, 2022 and 2021 are disclosed in Note 28.

	2022	2021
Lease liabilities		
Current	**10,526**	10,119
Non-current	**56,107**	53,721
	66,633	63,840

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13 Leases (continued)

(iii) Amounts recognised in the consolidated statement of profit or loss:

	2022	2021
Depreciation charge on right-of-use assets	**12,041**	15,689
Interest expense (included in finance costs)	**2,568**	2,818
Expense relating to short-term leases (included in cost of revenue – Note 8, selling and distribution expenses – Note 9 and general and administrative – Note 10)	**6,872**	7,133

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

	Note	2022	2021
Cost of revenue	8	**1,851**	2,796
Selling and distribution expenses	9	**9,677**	12,118
General and administrative expenses	10	**513**	775
		12,041	15,689

(iv) There are no short-term lease commitments as of March 31, 2022 and 2021 as all amounts were paid in advance.

14 Intangible assets

	Goodwill	Brand	Others	Total
Cost				
March 31, 2021	17,554	8,117	3,208	**28,879**
Exchange differences	(888)	(411)	(162)	**(1,461)**
March 31, 2022	16,666	7,706	3,046	**27,418**
Accumulated amortization				
March 31, 2021	-	4,962	1,942	**6,904**
Charge for the year	-	1,912	761	**2,673**
Exchange differences	-	(443)	(178)	**(621)**
March 31, 2022	-	6,431	2,525	**8,956**
Net book values				
March 31, 2022	**16,666**	**1,275**	**521**	**18,462**
March 31, 2021	17,554	3,155	1,266	21,975

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").

(a) Brand and others

The Brand and others 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.

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14 Intangible assets (continued)

(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, 2022, 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.

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	**2022**	**2021**
EBITDA margins	**5.1%**	4.8%
Discount rate	**8.7%**	8.4%
Terminal value growth rate	**2.5%**	2.5%

Sensitivity to the changes in assumptions

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

(i) EBITDA margins

It is used to measure a company's overall financial performance and profitability. If all other assumptions kept the same, a reduction of this rate by 20% (2021: 49%) across all expected cashflow would give a value in use equal to the current carrying amount.

(ii) Discount rate

The discount rate was an estimate of the weighted average cost of capital as of March 31, 2022 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 23% (2021: 11%) 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 111% (2021: 48%) would give a value in use equal to the current carrying amount.

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15 Non-controlling interest put option and other liabilities

15.1 Non-controlling interest put option

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

In accordance with terms of the SPA, it is a binding irrevocable option to acquire from the non-controlling interest equity holders their remaining shareholding at the expiry date of the option i.e. fifth year of the completion date.

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 24.4 million to Saudi Riyals 26.9 million at the time of exercise of option. A discount rate of 3.1% and 10.3%, 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 27 for fair valuation details.

15.2 Contingent consideration

During the year the Group has made a payment of Saudi Riyals 3.9 million to the minority shareholders of Mlekoma group. Refer to Note 27.3.

16 Inventories

	2022	**2021**
Raw materials	**218,598**	152,092
Packing materials	**19,141**	18,032
Finished goods	**92,662**	95,293
Spare parts, supplies and other items	**16,704**	19,599
Goods-in-transit	**23,949**	28,854
	371,054	313,870
Less: Provision for slow moving and obsolete inventories (see below)	**(11,633)**	(11,647)
	359,421	302,223

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

	2022	**2021**
April 1	**11,647**	12,048
Reversal for the year	**(14)**	(401)
March 31	**11,633**	11,647

17 Trade and other receivables

	2022	**2021**
Trade receivables	**268,511**	248,257
Less: Allowance for impairment of trade receivables (see below)	**(39,190)**	(37,988)
Net trade receivables	**229,321**	210,269
Advances and other receivables	**12,763**	16,925
	242,084	227,194

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17 Trade and other receivables (continued)

As at March 31, 2022, trade receivables with an initial carrying value of Saudi Riyals 39.2 million (2021: Saudi Riyals 37.9 million) were impaired and fully provided for. See below for the movements in the allowance for impairment of trade receivables.

	2022	**2021**
April 1	**37,988**	35,881
Charge for the year	**1,202**	2,107
March 31	**39,190**	37,988

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.

18 Deposits, prepayments and other assets

	2022	**2021**
Advances to suppliers	**20,471**	21,805
Prepayments	**9,574**	8,496
Security and other deposits	**4,433**	5,031
	34,478	35,332

19 Cash and cash equivalents

	2022	**2021**
Cash in hand	**4,524**	22,852
Balances with banks - current account	**87,655**	45,246
Murabaha short-term bank deposits	**533,783**	645,192
	625,962	713,290

The rates on Murabaha short-term bank deposits ranges from 0.03% to 1.80% per annum for the year ended March 31, 2022 (March 31, 2021: 0.02% to 1.80% 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.

20 Capital and reserves

20.1 Issued and paid-up capital

	2022	**2021**
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.

20.2 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, companies are required to transfer 10% of the net profit 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 profit for the year to a statutory reserve until such reserve equals 50% of paid-up capital which was consistent with previous Regulations for Companies. Such level was achieved in previous years and accordingly no further transfers are made to statutory reserve during the year ended March 31, 2022 and 2021. This reserve is not available for distribution to the shareholders of the Group.

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20 Capital and reserves (continued)

20.3 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 20.7 million was transferred to voluntary reserve (2021: Saudi Riyals 26.1 million).

21 Non-controlling interests

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

Summarized statement of financial position of SADAFCO Poland Sp. z o.o.	**2022**	**2021**
Current assets	**74,545**	58,049
Current liabilities	**(37,753)**	(28,609)
Net current assets	**36,792**	29,440
Non-current assets	**59,028**	66,318
Non-current liabilities	**(26,541)**	(29,283)
Net non-current assets	**32,487**	37,035
Net assets	**69,279**	66,475
Equity attributable to the owners of the Group	**48,500**	45,369
Non-controlling interests	**20,779**	21,106
	69,279	66,475

Summarized statement of comprehensive income of SADAFCO Poland Sp. z o.o.	**2022**	**2021**
For the year ended March 31		
Revenue	**295,447**	214,891
Expenses	**(288,031)**	(214,648)
Profit for the year	**7,416**	243
Profit for the year attributable to:		
Owners of SADAFCO	**5,316**	(444)
Non-controlling interests	**2,100**	687
	7,416	243
Total comprehensive income attributable to:		
Owners of SADAFCO	**5,316**	(444)
Non-controlling interests	**2,100**	687
	7,416	243
Summarized cash flows		
For the year ended March 31		
Cash flows from operating activities	**6,678**	11,141
Cash flows from investing activities	**(1,892)**	(1,576)
Cash flows from financing activities	**(2,226)**	172
Net increase in cash and cash equivalents	**2,560**	9,737

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22 Zakat and income tax matters

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

22.1 Charge for the year

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

	2022	**2021**
Zakat charge	**22,609**	22,962
Income tax	**2,613**	-
	25,222	22,962

22.2 Provision for zakat and income tax

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

	Zakat	**Income tax**	**Total**
At April 1, 2020	16,327	-	16,327
Charge for the year	22,962	-	22,962
Transfer from accruals and other liabilities	4,612	-	4,612
Payment	(21,679)	-	(21,679)
At March 31, 2021	**22,222**	**-**	**22,222**
Charge for the year	**22,609**	**2,613**	**25,222**
Payment	**(22,750)**	**(2,613)**	**(25,363)**
At March 31, 2022	**22,081**	**-**	**22,081**

22.3 Status of assessments

Zakat assessments for the years up to year ended March 31, 2019 have been finalized with the ZATCA.

The Company has filed the zakat return for the year ended March 31, 2021 and received the zakat certificate valid until July 31, 2022. The ZATCA has requested for additional information for the year ended March 31, 2020. SADAFCO has submitted the requested information. ZATCA is yet to issue its final assessments for years 2020 and 2021.

22.4 Deferred tax on foreign entities

Deferred tax assets and liabilities relating to the foreign entity are immaterial to the Group's consolidated financial statements.

23 Trade and other payables

	2022	**2021**
Trade payables	**179,807**	156,839
Other payables	**11,694**	12,132
	191,501	168,971

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.

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24 Accruals and other liabilities

	2022	2021
Employee related accruals	**92,044**	89,198
Marketing related accruals	**54,685**	43,183
Rent and utility accruals	**35,469**	35,527
Value added tax payable	**15,654**	14,931
Plant and facility maintenance	**9,980**	10,141
Other accruals	**80,066**	74,208
	287,898	267,188

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

25 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) Affiliates of the Group include entities which are subsidiaries including subsidiaries and associates of QPIC and KIPCO Groups.

(c) Significant related party transactions and balances for the year ended March 31 and balances arising there from are described as under:

Transaction with	Nature of transaction	Transactions with related parties 2022	Transactions with related parties 2021	Due to related parties 2022	Due to related parties 2021
Buruj Co-operative Insurance Company (affiliate) (*)	Insurance premium	**11,278**	11,652	**1,403**	2,308
PKC Advisory (affiliate)	Consultancy services	**1,054**	1,016	-	24
Alternative Energy Projects Co. (affiliate)	Purchase and installation of solar energy systems	**2,905**	-	-	-
Axa Cooperative Insurance (*)	Insurance premium	**634**	-	-	-
				1,403	2,332

(*) These transactions represent the insurance expense net of any claims received.

Terms and conditions of transactions with related parties

The transactions with related parties 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.

There have been no guarantees provided or received for any related party receivables or payables. The Group assess impairment of receivables relating to amounts owed by related parties (2021: Nil), if any. 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

	2022	2021
Short-term and long-term employee benefits	**13,335**	14,127
Termination benefits	**545**	567
Total compensation paid to key management personnel	**13,880**	14,694

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26 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:

	2022	**2021**
Discount rate	**3.04%**	3.1%
Expected rate of salary increase	**3.04%**	3.1%
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	**12,186**	12,873
Interest cost on benefit obligations	**3,451**	2,810
Net benefit expense	**15,637**	15,683

Net benefit expense recognised in the consolidated statement of comprehensive income

	2022	**2021**
Remeasurement loss arising from experience	**3,726**	3,574

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

	2022	2021
Net liability as at beginning of the year	**119,794**	113,041
Interest cost on benefit obligations	**3,451**	2,810
Current service cost	**12,186**	12,873
Remeasurement loss	**3,726**	3,574
Benefits paid	**(11,012)**	(12,504)
Net liability at end of the year	**128,145**	119,794

The weighted average duration of the defined benefit obligation as at March 31, 2022 is 10.40 years (March 31, 2021: 10.45 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:

	2022	**2021**
0.25% increase in discount rate	**(2,849)**	(2,578)
0.25% decrease in discount rate	**2,971**	2,688

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26 Employee benefit obligations (continued)

Salary escalation rate:

	2022	2021
0.25% increase in salary escalation rate	**2,964**	2,681
0.25% decrease in salary escalation rate	**(2,856)**	(2,584)

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:

	2022	**2021**
1 - 5 years	**47,412**	48,067
6 - 10 years	**38,719**	43,954
11 years and above	**85,182**	67,993

27 Financial instruments

27.1 Financial assets

	Note	**2022**	**2021**
Non-Derivative Financial Assets			
Financial assets at amortised cost			
Trade and other receivables	17	**242,084**	227,194
Cash and cash equivalents	19	**625,962**	713,290
Security and other deposits	18	**4,433**	5,031
Total financial assets		**872,479**	945,515

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.

27.2 Financial liabilities

	Note	**2022**	**2021**
Non-Derivative Financial Liabilities			
Financial liabilities at amortized cost			
Accruals and other liabilities (excluding VAT payable)	24	**272,244**	249,379
Trade and other payables	23	**191,501**	168,971
Lease liabilities	13	**66,633**	63,840
Dividend payable		**3,176**	3,388
Due to related parties	25	**1,403**	2,332
Total financial liabilities		**534,957**	487,910

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27 Financial Instruments (continued)

27.2 Financial liabilities (continued)

Financial liabilities at fair value through profit or loss	**2022**	**2021**
Non-controlling interest put option	**24,229**	26,881
Contingent consideration payable	**-**	2,878
	24,229	29,759
Total financial liabilities	**559,186**	517,669
Derivative Financial Liabilities		
Financial liabilities at fair value through profit or loss		
Foreign currency forwards	**511**	650
	511	650

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

27.3 Financial instruments carried at fair value

a) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

	Contingent consideration payable	**Non-controlling interest put option**	**Total**
April 1, 2021	2,878	26,881	**29,759**
Unwinding of discount	-	614	**614**
Reversal (charge) for the year	-	(1,978)	**(1,978)**
Exchange differences	130	(1,288)	**(1,158)**
Payments	(3,925)	-	**(3,925)**
Loss on derecognition	917	-	**917**
March 31, 2022	**-**	**24,229**	**24,229**

c) Valuation process

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

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27 Financial Instruments (continued)

c) Valuation process (continued)

At each financial year-end the finance department:

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

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

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

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

d) Derivative financial instruments

During the year, the Group's Polish subsidiaries entered into multiple foreign currency forward contracts to cover the volatility in foreign currency transactions. At March 31, 2022, the Group had 55 (March 31, 2021: 38) foreign currency forward contracts in place with a total notional amount of Saudi Riyals 80.55 million (March 31, 2021: Saudi Riyals 35.5 million) and net negative carrying amount of Saudi Riyals 0.51 million (March 31, 2021: Saudi Riyals 0.65 million). Net realized loss on matured foreign currency forwards recognized during the year ended March 31, 2022 in the consolidated statement of profit or loss amounted to Saudi Riyals 0.59 million (March 31, 2021: net realized gain of Saudi Riyals 0.23 million). All these contracts have been classified as 'held for trading' for accounting purposes under current liabilities or current assets and designated as level 2 in the consolidated financial statement. The Group relies on the counterparty for the valuation of these derivatives.

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

				Notional amounts by term to maturity		
	Positive fair value	**Negative fair value**	**Notional amount**	**Within 3 months**	**3 to 12 months**	**1 – 5 years**
Foreign currency forwards						
As at March 31, 2022	**1,136**	**1,647**	**80,552**	**35,770**	**44,782**	**-**
As at March 31, 2021	689	1,339	35,459	25,684	9,775	-

The maturities of the foreign currency forwards are less than 6 months as at March 31, 2022.

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

The sensitivity analyses in the following sections relate to the position as at March 31, 2022.

i) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. At March 31, 2022 and 2021, the Group does not have any borrowings and accordingly no interest rate risk sensitivity is presented. Interest bearing financial assets comprises of short term murabaha deposits which are at fixed interest rates; therefore, have no material exposure to cash flow interest rate risk and fair value interest rate risk.

ii) Currency risk

Currency risk is the risk that 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) Price risk

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

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28 Financial instruments risk management objective and policies (continued)

Credit risk

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

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

	Note	2022	2021
Financial assets			
Trade receivables – net	17	**229,321**	210,269
Cash and cash equivalents	19	**625,962**	713,290
Security and other deposits	18	**4,433**	5,031
		859,716	928,590

(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, 2022, the Group had 5 customers that accounted for approximately 43% (March 31, 2021: 48%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 82% (2021: 88%) in KSA, 4% (2021: 5%) in GCC (other than KSA) and 14%% (2021: 7%) 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 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.

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

	2022	2021
Trade receivables – third parties – net	**229,321**	210,269
Cash at banks	**621,438**	690,438
Security and other deposits	**4,433**	5,031
	855,192	905,738

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28 Financial instruments risk management objective and policies (continued)

Credit risk (continued)

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 provision matrix takes into account historical credit loss experience (24 quarter-periods) and is adjusted for average historical recovery rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the inflation rate, 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	2022	2021
Impairment loss on trade receivables	17	**1,202**	2,107

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

March 31, 2022	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	**0.21% - 1.01%**	**220,232**	**627**
1–90 days past due	**0.20% - 1.08%**	**8,345**	**15**
90–180 days past due	**2,98% - 18.88%**	**1,053**	**45**
180+ days past due	**52.39% - 100%**	**9,783**	**9,405**
Specific provision	**100%**	**29,098**	**29,098**
	14.49%	**268,511**	**39,190**

March 31, 2021	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.16% - 1.13%	203,331	577
1–90 days past due	0.15% - 1.13%	6,803	14
90–180 days past due	2.09% - 12.85%	460	23
180+ days past due	51.12% - 100%	7,404	7,115
Specific provision	100%	30,259	30,259
	15.22%	248,257	37,988

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28 Financial instruments risk management objective and policies (continued)

Credit risk (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.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. This includes consideration of future cashflow forecasts, prepared using assumptions about the nature, timing and amount of future transactions, planned course of actions and other committed cash flows that can be considered reasonable and achievable in the circumstances of the Group. The Group monitors its liquidity risk by regular working capital excess/shortage assessment and ensuring that it has adequate liquidity to fund its day to day operations. Where necessary, the Group may enter into borrowing 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, 2022	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**More than 5 years**	**Total**
Trade and other payables	-	**191,501**	-	-	-	**191,501**
Accruals and other liabilities (excluding VAT payable)	-	**272,244**	-	-	-	**272,244**
Dividend payable	**3,176**	-	-	-	-	**3,176**
Due to related parties	-	**1,403**	-	-	-	**1,403**
Non-controlling interest put option	-	-	-	**26,979**	-	**26,979**
Lease liabilities	-	**3,302**	**2,759**	**14,948**	**50,252**	**71,261**
	3,176	**468,450**	**2,759**	**41,927**	**50,252**	**566,564**

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28 Financial instruments risk management objective and policies (continued)

Liquidity risk (continued)

March 31, 2021	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Trade and other payables	-	168,971	-	-	-	168,971
Accruals and other liabilities	-	249,379	-	-	-	249,379
Dividend payable	3,388	-	-	-	-	3,388
Due to related parties	2,332	-	-	-	-	2,332
Non-controlling interest put option and other liabilities	-	2,878	-	38,249	-	41,127
Lease liabilities	-	1,505	10,469	22,705	51,415	86,094
	5,720	422,733	10,469	60,954	51,415	551,291

29 Dividends

In the Extraordinary General Assembly Meeting of the Company held on July 12, 2021, the shareholders approved payment of final dividend of Saudi Riyals 3 per share amounting to Saudi Riyals 96 million.

On January 4, 2022, the Board of Directors approved payment of interim dividend of Saudi Riyals 3 per share amounting to Saudi Riyals 96 million. Total dividend distributed for the year amounted to Saudi Riyal 192 million (Saudi Riyals 6 per share).

30 Contingencies, commitments and other information

30.1 Contingencies

- As at March 31, 2022, the Group has a contingent liability of Saudi Riyals 1.4 million (2021: Saudi Riyals 4.9 million) in respect of guarantees issued by banks for various business needs.

30.2 Commitments and other information

- At March 31, 2022, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 42.2 million (2021: Saudi Riyals 109.9 million).

- At March 31, 2022, the Group has outstanding letters of credit issued on its behalf in the normal course of business amounting to Nil (2021: Saudi Riyals 1.8 million).

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