Sustainably Nurturing Generations with Goodness and Happiness

SAUDIA DAIRY & FOODSTUFF COMPANY

ANNUAL REPORT 2022-23

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 and Prime Minister of the Kingdom of Saudi Arabia

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Financial Performance at a Glance

Revenue
2022-23
SAR 2,648.0 Mln
2021-22 - **SAR 2,170.3** Mln

Earnings Per Share
2022-23
SAR 9.65 EPS
2021-22: **SAR 6.48** EPS

Gross Profit
2022-23
SAR 822.7 Mln
2021-22: **SAR 656.6** Mln

Gross Margin
2022-23
31.1%
2021-22: **30.3%**

EBITDA
2022-23
SAR 491.0 Mln
2021-22: **SAR 340.5** Mln

EBITDA Margin
2022-23
18.5%
2021-22: **15.7%**

Net Profit
2022-23
SAR 310.5 Mln
2021-22: **SAR 209.1** Mln

Net Profit Margin
2022-23
11.7%
2021-22: **9.6%**

Dividend Yield
2022-23
2.5%
2021-22: **3.5%**

Free Operating Cash Flow
2022-23
SAR 383.9 Mln
2021-22: **SAR 289.8** Mln

Business Review

Market Share*

MILK UHT

MAT Mar-23
62.6%
MAT Mar-22
59.3%

TOMATO PASTE

MAT Mar-23
54.4%
MAT Mar-22
55.1%

ICE CREAM

MAT Mar-23
30.2%
MAT Mar-22
28.4%

*As per Nielsen, value market share on MAT basis as of Mar-23

Total Revenue
2022-23
SAR 2,648
Mln

KSA
SAR 2,194
Mln

GCC except KSA
SAR 64
Mln

Poland
SAR 276
Mln

Other Countries
SAR 114
Mln

SADAFCO ended the year with a headcount (including outsourced personnel) 2022-23

3,057

Key Non-Financial Metrics

38.7%
Saudi employees in the workforce

7.4%
women in workforce

12,000+
hrs of employee training

26%
reduction in average COD level in effluents

3.9x
increase in Renewable Energy consumption to 1.45 GWh

5.5%
reduction in Energy Intensity to 653.8 KWh/MT of production

All three factories in KSA and sales depot in Riyadh, are certified with

ISO 22000:2018 (for Food Safety),

ISO 14001:2015 (for Environment), and

ISO 45000:2018 (for Occupational Health & Safety)

SADAFCO's **Year at a Glance**

QUARTER 01

- Commenced work on Main Building of New Makkah Depot project.
- Solar PV system project in Jeddah Central Warehouse was completed and actively generated power.
- SADAFCO constituted a water steering committee to assess solutions/ initiatives which manage water usage, and is assessing the implementation of a water recovery and recirculation initiative.

QUARTER 02

- SADAFCO has signed a strategic agreement with Social Responsibility Association, the first licensed association specialized in CSR in the Makkah region.
- Opened new sales depot in Al Kharj for sales growth.

QUARTER 03

- SADAFCO has signed a strategic agreement on the Future of Industrial Strategies Initiative with Distinguished Initiatives Association in Social Responsibility to encourage students to work in the industrial fields.
- SADAFCO implemented a digital signature solution to enable safe, legal, and secure digital signing of official documents and contracts which will result in a significant reduction in paper usage.

QUARTER 04

- SADAFCO was selected by LinkedIn on the List of Top Companies 2023 The 15 best workplaces to grow your career in Saudi Arabia.


السعودية
saudia
كامل الدسم
حليب

01

STRATEGIC AND MANAGEMENT REVIEW


السعودية
saudia
حليب مجفف
بطاطس مقلية
French Fries

Vision

Impossible is nothing

Mission

- Delighting consumers with delicious, nutritious, convenient & sustainable products
- Accelerating profitable growth
- Creating value for the society (environment), stakeholders and shareholder

Values

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

Purpose

Sustainably Nurture and Connect Generations with Goodness and Happiness

Message **from the Chairman**

In the fiscal year 2022-23, our company achieved impressive sales of SAR 2,648 Mln, generating a net profit of SAR 310 Mln (a remarkable revenue growth of 22.0% compared to the previous year)

I am pleased to address you on behalf of the Board of Directors of Saudia Dairy & Foodstuff Company (SADAFCO) and present the Annual Report for the twelve-month period ending 31st March 2023. This document provides a detailed overview of SADAFCO's performance, including Financial Year-End Results, the Auditor's Report, notable growth achievements, and our strategic vision for the future.

As we headed into 2022, we held optimistic expectations that the challenges posed by the COVID-19 pandemic were finally behind us. Little did we anticipate the seismic shift that would unfold with the unexpected invasion of Ukraine in late February which brought with it supply chain disruptions, increased energy prices, economic uncertainty, and fluctuations in consumer confidence and demand. Despite these adversities, SADAFCO was able to successfully navigate through these difficult times by assessing risks, diversifying sourcing strategies, and remaining agile in order to mitigate the impact and find opportunities for growth in this complex global landscape.

In the fiscal year 2022-23, our company achieved impressive sales of SAR 2,648 Mln, generating a net profit of SAR 310 Mln. We are pleased to share that we achieved a remarkable revenue growth of 22.0% compared to the previous year, even amidst the challenges we encountered. We were able to effectively manage our business costs, keeping them at the same level as the previous year, showcasing our efficient management practices. Consequently, our earnings per share rose to SAR 9.65, driven by a notable net profit increase of SAR 101 Mln, registering an impressive growth of 48.5%. We attribute this success to our unwavering dedication, strategic decision-making, and ability to adapt to the ever-changing business landscape.

We propose an attractive dividend of SAR 6/share in line with our historical dividend payouts.

The New Ice Cream factory that commenced operations over a year ago opens exciting opportunities for expansion and allows us to introduce a range of new products that perfectly cater to the growing demands of consumers. We wholeheartedly embrace this opportunity by fostering a culture of continuous innovation, aimed at bringing sheer delight to our cherished consumers.

SADAFCO continues to progress further in its inspiring journey, driven by our commitment to delight consumers, accelerate profitable growth, and create substantial value for all our stakeholders.

This year, SADAFCO has taken a significant stride forward in its ESG journey by adopting a comprehensive approach to sustainability, seamlessly integrating it into every facet of our organisation's operations and functions including solar, water, automation, data protection, community goals, etc. Our commitment to sustainability is reinforced by focusing on impact investing as a key guiding force within our procurement and supply chain decisions. By prioritizing investments that generate positive social and environmental impact alongside financial returns, we seek to ensure that our sourcing practices align with our sustainability goals and contribute to a more responsible and ethical business.

On behalf of SADAFCO's Board of Directors, I would like to express our sincere appreciation 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. Their consistent backing has been instrumental in fostering a favorable business environment. At SADAFCO, we are dedicated to aligning our efforts with Vision 2030 goals and actively participating in the Ministry of Industry and Mineral Resource's "Made in Saudi" initiative, contributing to the nation's economic diversification and growth.

I would also like to extend my heartfelt gratitude to my esteemed colleagues on the Board, our valued shareholders, the dedicated Executive Management team, and the entire workforce of SADAFCO. It is through your collective efforts, passion, and dedication that we have been able to overcome challenges and achieve sustainable success. Together, we will continue to strive for excellence, innovation, and the delivery of high-quality products to our esteemed customers.

Chairman Board of Directors

Message from the Chief Executive Officer

Entering 2022, we all thought the extreme challenges of the COVID-19 were past us. The unexpected invasion of the Ukraine at the end of February, however, changed the situation significantly. Supply Chain issues proliferated, inflation became rampant and food insecurity grew.

Despite these challenges, I am pleased to present a solid and robust performance for our business year 2022/23. Prudent management of the inventories selected, careful pricing, efficiency and cost management contributed to a good result at the end of the year. Our mission of DELIGHTING THE CONSUMERS, ACCELERATING PROFITABLE GROWTH AND ADDING VALUE TO ALL STAKEHOLDERS is being executed and is delivering results.

Our business fundamentals: Purpose, Culture and ESG

In 2022/23, we started to live and work according to our culture and purpose (Sustainably Nurturing and connecting generations with goodness and happiness). Our TRIPLE-Values (Trust, Respect, Integrity, Passion, Lead & Lean, Excellence) do come to life and the pillars of the culture (Quality, Customer/ Consumer Focus, Collaboration, Accountability, Efficiency, Learn) are starting to get traction.

On ESG, I am immensely proud and pleased to see further progress and acceleration in water, energy and waste (recycling). Our first ESG/Sustainability report was published last year, and the 2nd edition will be available along with this year's annual report.

Our strategic growth drivers

1. Unlock the potential of the organisation, its people and its capabilities: Tremendous efforts have been made to shape the SADAFCO Vision 2030 and bring it to life through our mission to continuously delight consumers, accelerate profitable growth and add value to all stakeholders, Moreover, excellent progress is made in training and development and in closing crucial gaps in the organisation (e.g., CMO, CHRO, OOH etc.)
2. Shape the future of Food & Beverages- Delivering goodness and happiness to all generations through products and brands: Further robust performance in market shares in our key categories, where we reached historical heights in the last year. Some successful additions to our range (Oat Milk, Lemon Mint Ice Cream etc.) combined with a strong focus on our hero SKUs led to a stellar performance.
3. Delight consumers wherever, whenever (availability): Excellent performance was witnessed in our three main channels Modern Trade, Traditional Trade and Wholesale, while Export and OOH channels have started to accelerate their performance, recording excellent growth rates.
4. Create Efficiencies along the value chain: End to End Project analysis Phase 1 has completed and Phase 2 was started at the end of the fiscal year. RTM digitalization ("Gamechanger') preparation phase got completed and roll out has started. Acceleration of digital factories.
5. Substantial progress on the manufacturing side resulted in an excellent performance in conversion costs, waste and Overall Equipment Efficiency in all our factories. Efficiencies are being realized with further improvements in logistics.

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 suppliers) and last and most importantly, our consumers who we intend to **delight every day**.

Patrick Stillhart
Chief Executive Officer

Sustainably Nurturing Generations with Goodness and Happiness

In a dynamic and ever-evolving world, it becomes imperative for us to ponder upon the values we wish to instill in our future generations. In this context of nurturing generations, food plays a crucial role in shaping the physical and emotional well-being of individuals. Food is an essential aspect of our lives that extends far beyond its basic purpose of providing sustenance. It has the power to nurture not only our bodies but also our minds and spirits. Goodness and happiness derived from food contribute to the overall development and growth of successive generations.

There are multitude of ways through which food can bring dominant positive changes in nurturing generations, and SADAFCO is aiming to be at the forefront of these changes.

Nutritional Support: Food plays a vital role in providing essential nourishment required for optimal growth and development, particularly during crucial stages of life. A well-rounded diet, rich in vital nutrients, vitamins, and minerals, serves as a cornerstone for strengthening the immune system, supporting physical growth, and boosting cognitive abilities. By prioritizing nutritious meals for every generation, SADAFCO is trying to establish a solid base for people's holistic well-being. Our Product Portfolio caters to the taste of all age groups ensuring that nutritional requirements of Mlns of people consuming our products is fulfilled on a daily basis. By maintaining excellent Quality standards, we ensure the goodness of the products translates to good health of our people.

Responsible and Conscious Decisions: As we cultivate the next generation, it becomes paramount to foster an appreciation for sustainable and ethical food practices. By imparting the significance of mindful consumption and minimizing food waste, we empower young individuals with the awareness and abilities to make conscientious decisions that enhance their well-being and protect the environment. By nurturing these generations to become mindful consumers, SADAFCO is in pursuit to be a flag bearer of ESG practices in the F&B sector of KSA.

History

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

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

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

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

Introduction

SADAFCO achieved net sales of SAR 2.6 Bln in 2022-23, reflecting a YoY increase of 22%. 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 2.5 Bln, registering growth of 9% over last year. The total shareholder equity of the Company stands at SAR 1.6 Bln, an increase of 7% over previous year. As at 31st March 2023, SADAFCO's market capitalization was 7.6 Bln vs. SAR 5.5 Bln on 31st March 2022.

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, Majestique, Sensations, More and UFO.

The Company operates five factories (two in Jeddah, one in Dammam, and two plants in Poland). All these factories have highest safety, quality and environmental 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, Cote devoir, Guinea, UAE, Oman, Canada, Syria and Palestine along with USA and Brunei through the Company's export function.

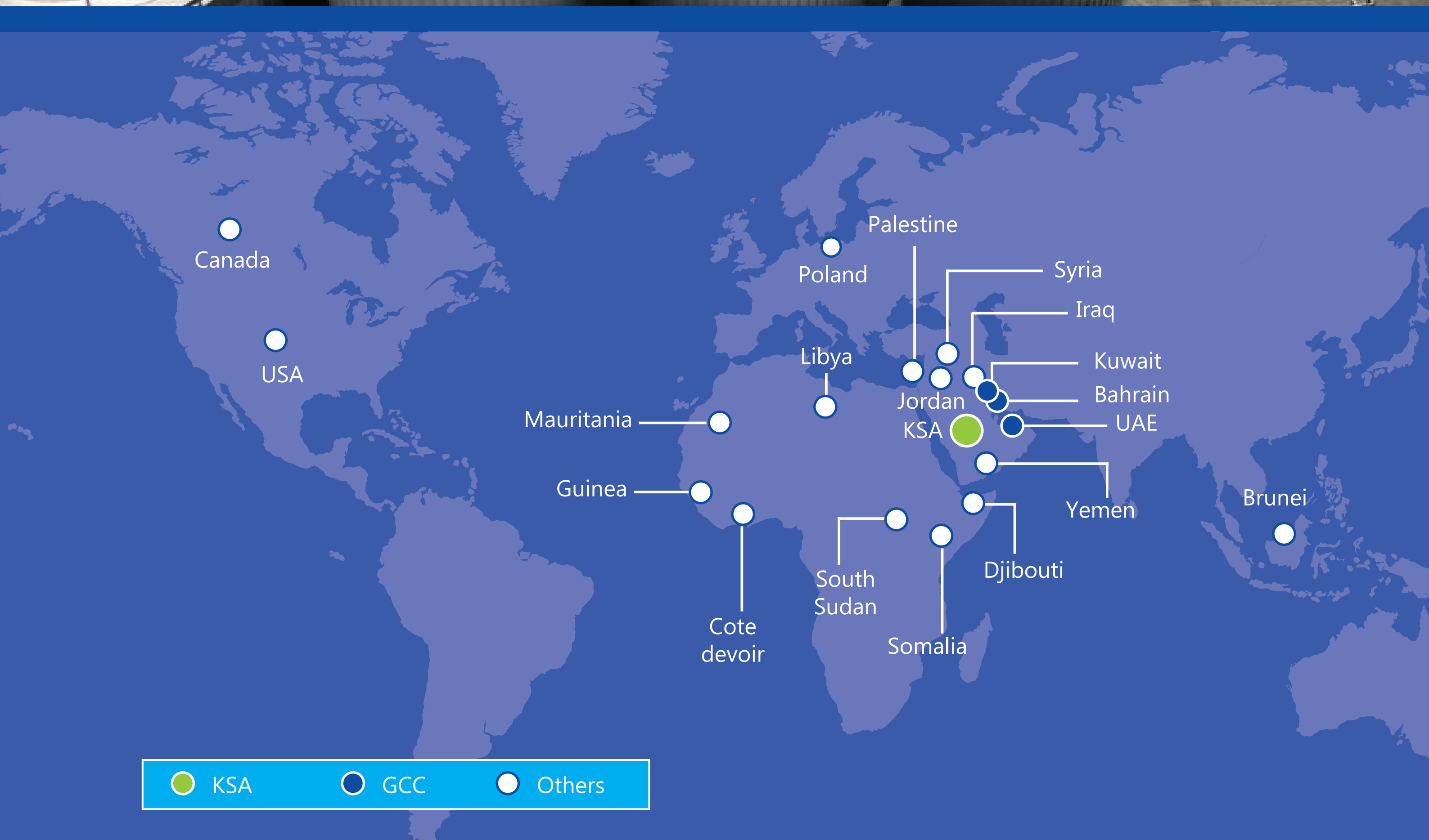
5 Factories

20 Depots

940 Trucks and Vans

3 Regional Distribution Centres (RDCs)

Mlekoma Factory, Poland



Products at a Glance

Milk

SADAFCO's Plain milk product category comprises of items like Whole Milk, Low-fat Milk, Skimmed Milk, Gold Milk, Date Milk, Flavored Milk, Functional Milk, EVAP, Growing Up 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.

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.

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.

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 French Fries, Mayonaisse 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 **(like addition of non-dairy alternatives such as Soy/ Oat Milk)**.

Key Performance Indicators

Our strong performance trend continues despite the last year challenges of inflation especially in our key raw material prices, and supply chain disruptions.

During the year a record Net Profit of SAR 310 Mln versus SAR 209 Mln last year has been achieved. This represents a healthy net margin of 11.7 % of sales compared to 9.6% last year. This robust return has arisen from:

Increased Sales of SAR 478 Mln, 22% higher than last year, across all major categories and channels. Increases were made in both volume and value terms.

Higher Gross Margin of 31.1% vs 30.3% achieved despite high raw material prices and logistics costs, has been possible due to prudent sourcing of inventories, appropriate pricing decisions and achieving manufacturing cost efficiencies.

Selling & Distribution Expenses reduced as % of sales 13.3% vs 14.3%. In value terms increased by 12.7% mainly due to increased focus on advertising and marketing activities to further strengthen the SAUDIA brand.

General & Administration Expenses reduced as % of sales 4.3% vs 5.2% last year. In value terms maintained at the same level as expense control remains a focus area.

Finance Income of SAR 18.5 Mln represent significant increase over last year due to higher Murabaha deposit rates.

Finance Cost has increased by SAR 43Mln due to a change in accounting fair value of a put option to be exercised by the current minority shareholder of our subsidiary Mlekoma Group in Poland, to sell to SADAFCO the remaining 24% of the ownership. This increase in the fair value is due to the exceptional positive performance (sales & operating profit) of Mlekoma Group up to 31st March 2023. This represents full recognition of all costs related to this transaction.

Our strong performance trend continues despite the last year challenges of inflation especially in our key raw material prices, and supply chain disruptions. As these headwinds have subsided we remain optimistic about the coming quarters as our strong financial position enables us to manage inventory levels to ensure profitability.

Our market shares as at 31st March 2023, remain dominant with positive trending lines compared to shares reported in (January 2023): Milk 62.6% (61.5), Tomato Paste 54.4% (53.9%) and Ice cream 30.2 % (29.5%).

We continue to delight our consumers through new offerings in the dairy & ice cream category. During the year 17 new SKUs were launched, testament to our priority to innovations.

Work on Makkah Depot project of SAR 27 Mln is in progress and is expected to be operational in financial year 2023/24.

We continue to generate positive cash flows. Our cash position is SAR 685 Mln (including short term investments of SAR 395 Mln i.e., Murabaha deposits more than 3 months).

During the year an investment of SAR 38 Mln was made in a Zakat exempt Sukuk.

During the year SAR 192 Mln of dividend was distributed (SAR 6/share).

Shareholders' equity landed at a healthy 1.7 Bln vs 1.5 Bln on 31 March 2022.

Business Results Comparison (SAR Mln)

Details	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Revenue	2,648	2,170	2,105	2,056	1,813	1,693
Cost of Revenue	-1,825	-1,513	-1,411	-1,367	-1,233	-1,059
Gross Profit	823	657	694	689	580	634
Net Profit	310	209	261	265	216	260

Assets & Liabilities Comparison (SAR Mln)

Details	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18
Current Assets	1,436	1,262	1,278	1,273	1,095	1,100
Non-current Assets	1,048	1,024	951	901	821	663
Total Assets	**2,484**	**2,286**	**2,229**	**2,174**	**1,916**	**1,763**
Current Liabilities	617	517	474	498	420	329
Non-current Liabilities	192	208	201	200	138	113
Total Liabilities	**809**	**725**	**675**	**698**	**558**	**442**

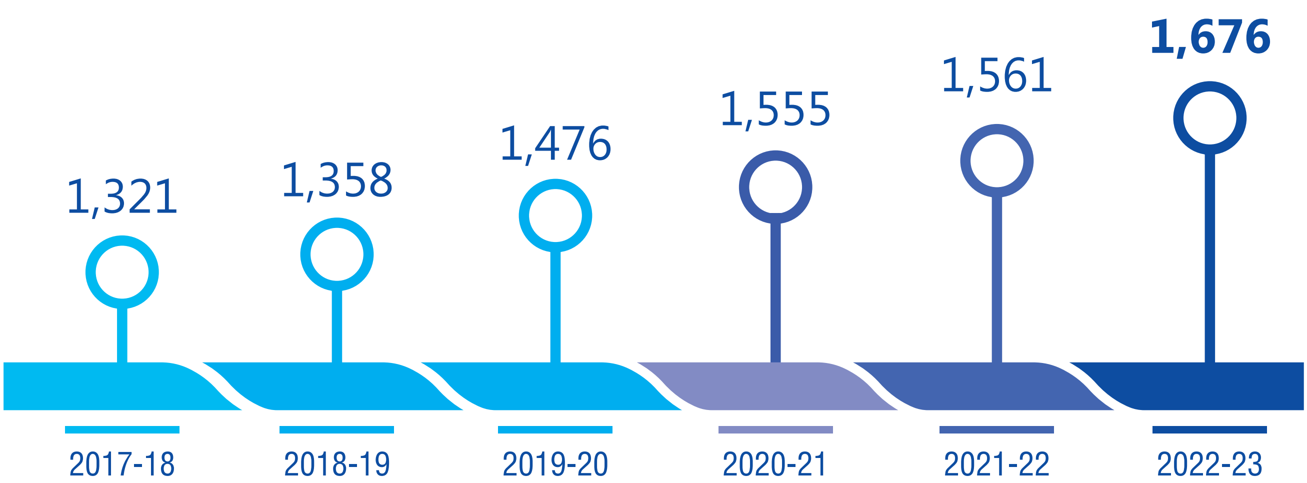
Operational Results and Major Changes (SAR Mln)

Details	2022-23	2021-22	Changes (+) or (-)	% of Changes	2020-21
Revenue	2,648	2,170	478	22%	2,105
Cost of Revenue	-1,825	-1,513	-312	21%	-1,411
Gross Profit	823	657	166	25%	694
Operational Expenses	-452	-420	-32	8%	-409
Operational Profit	371	236	135	-57%	285

Statutory Payments for 2022-23 (SAR thousand)

Description	Due	Paid	Balance
Customs	25,631	25,631	-
Zakat	21,919	21,919	-
GOSI	17,882	17,882	-
Tadawul Contract	719	719	-
Government Fees & Visas	10,063	10,063	-
Value Added Tax + Excise Duty	219,866	219,866	-
Total	296,080	296,080	-

Change in Total Shareholders' Equity (SAR Mln)



Performance of the Company

Business Results Comparison (SAR Mln)

Product	Activity Revenue (SAR Mln)	Percentage (%)
Milk	1,731	65
Ice Cream	373	14
Tomato Paste	248	9
Powdered Milk	122	5
Cheese	53	2
Others	120	5
Total	**2,648**	**100**

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

Financial Year	KSA	GCC	Other Countries	Poland	Total Revenue
2022-23	2,194	64	114	276	2,648
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 (%) 2022-23	Contribution (%) 2021-22	% Point Change
Milk	65	62	3
Ice Cream	14	15	-1
Tomato Paste	9	10	-1
Powdered Milk	5	7	-2
Cheese	2	2	0
Others	5	4	1
Total	**100**	**100**	**0**


السعودية
saudia
كامل الدسم
حليب
MILK

Performance of Subsidiary Companies

SADAFCO POLAND

Activity Revenue

SAR 276 Mln

Milk - liquid
SAR 185 Mln 67%

Powdered Milk
SAR 73 Mln 26%

Others
SAR 18 Mln 7%

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 Subsidiary companies' revenue
(Including SADAFCO Poland)
SAR 393 Mln

Milk ingredients	SAR 63 Mln	16%
Milk - liquid	SAR 185 Mln	47%
Powdered Milk	SAR 79 Mln	20%
Tomato Paste	SAR 12 Mln	3%
Ice Cream	SAR 13 Mln	3%
Cheese	SAR 20 Mln	5%
Others	SAR 21 Mln	6%

Exclude export sales

REVENUE GEOGRAPHICAL ANALYSIS FOR SUBSIDIARIES (SAR Mln)

	GCC	Other Countries	Poland	Total Revenue
2022-23	64	114	276	**454**
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 2022-23 (SAR Mln)	Percentage (%)	Sales 2021-22 (SAR Mln)	Percentage (%)
Saudi Arabia	2,194	83	1,786	82
Poland	276	10	249	11
Jordan	53	2	35	2
Bahrain	48	2	43	2
Kuwait	16	1	13	1
Qatar	0	0	0	0
Export	61	2	44	2
Total	**2,648**	**100**	**2,170**	**100**

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.

END-2-END PLANNING DIAGNOSTICS

During the 4th Quarter of 2022-23 an extensive planning diagnostic was conducted across the entire business including demand, supply, production and delivery. Sizable opportunities have been identified in upgrading cross functional planning process, governances and systems of which will be fully implemented across the business during 2023-24.

SOURCING

As world recovered from impact of COVID-19 pandemic, markets witnessed uncertain and unexpected turbulence due to Ukraine-Russia conflict which led to historical highs in commodity prices, freight cost, and global supply chain disruptions.

Continuous supply of material became the most important challenge for everyone & SADAFCO could successfully overcome same by taking decisions at right time to increase safety stock norms, identifying alternate recipe solutions (increasing fresh milk component), developing alternate recipes and diversifying supply sources.

Increasing local content was fast tracked and SADAFCO sourced fresh milk from all 3 major dairy producers in Saudi Arabia at most economical price plus launched French fries made and processed from locally grown potatoes. In parallel alternate sources were approved for dairy, tomato paste, some packaging materials including a 2nd aseptic packaging supplier. We plan to have a 3rd aseptic packaging supplier developed during next fiscal year as a diversification strategy to ensure continued risk-free supplies.

We also started sourcing of indirect materials through centralized procurement department based on audit recommendations, best industry practice and to leverage our synergies. The project is expected to deliver SAR 15 Mln savings besides improving control, segregation of responsibilities, standardization and optimization of suppliers and ensuring compliance to company policies.

JEDDAH MILK FACTORY

A year after the installation of the fully automated robot palletizing systems, the benefits are reflected in the factory's KPIs. Manual palletizing operations have been replaced by automated systems, improving the performance and quality levels. Non-value-added activities have been eliminated because of automation and MF is now 50% less dependent on unskilled labor.

Volume grew in the second half of the year significantly, driving the conversion cost further down. The Milk Factory team is now focusing on further improvements and cost reductions, in line with corporate targets and ESG goals. 48 Mln lt. per year of fresh water has been recycled and saved and a 90% recycling rate has been achieved.

48 Mln Lt.

per year of fresh water has been recycled

DIGITAL MILK FACTORY

During 2022-23, detailed engineering work continued with recording and linking documentation in all standard operation (SOP) in Jeddah Milk plant departments embarking on digitalization preparation. Several workshops were completed with factory teams, finance and IT teams regarding factory level raw & packaging material and finished good traceability, work order creation, backflush, to ensure efficacy of the related operations. Automated rigorous data collection sources for accurate key performance indicators (KPI) detailed engineering were commenced.

JEDDAH ICE CREAM FACTORY

The new Ice Cream Factory is fully operational. The installation of the new extrusion line has been completed in 2022-23, with the commissioning of the Extrusive Line. The Ice Cream Factory team managed to stabilize the operations, control the quality of the products and focused on developing new successful products (lemon mint sticks).

Mixing has been optimized. Additional equipment has been installed and commissioned to control the quality of products: X-ray machines, detection systems and weigh checkers are being used to assure high quality levels.

DAMMAM FACTORY – TOMATO PASTE, FETA, SNACKS

The previous year's investments in Tomato Paste processing resulted in better performance, lower tomato paste inventory levels and not out-of-stock risks. The factory performed well during the Ramadan Promotion build up period and focused on quality, conversion cost and wastage reduction.

A milestone in SADAFCO manufacturing was the new organisational structure across all five factories. The new structure reflects the company's changing culture: Retain and appreciate the best performers, motivate and engage passionate individuals to deliver results beyond their area of responsibility, develop people and create depth in departments and focus on succession plans.

LOGISTICS & WAREHOUSING

The Public Transportation Authority (PTA) issued a series of changes in regulations and legislations revolving around the transportation of goods which has impacted all companies that use owned fleet for the transportation of their own goods.

Due to the large number of SADAFCO's fleet, complexity of the status rectification process, continually changing regulations, and the involvement of numerous government-bodies SADAFCO encountered delays in registering all vehicles on time, resulting in an operating expense of over SAR 5 Mln in achieving compliance measures throughout the year. However, we are making progress and are hopeful about expediting the process, with the aim of achieving compliance for SADAFCO's fleet by Q2 of 2023-24.

OTHER SUPPLY CHAIN DEVELOPMENTS

All three SADAFCO factories in KSA and our sales depot in Riyadh, are certified with ISO 22000:2018 **(for Food Safety)**, ISO 14001:2015 **(for Environment)** and ISO 45000:2018 **(for Occupational Health & Safety)**. All five factories and JCW are formally Halal certified, Dammam site is a certified Organic tomato paste producer.

Commercial

SADAFCO excels in all distribution channels and is poised to enhance its strategic focus on out of home (OOH) and e-commerce segments in the future.

AMBIENT

2022-23 was a great year for the Saudia milk brand. In a strongly growing Long Life milk category, Saudia has outperformed the market with a strong double-digit growth in value and single digit in volume. Saudia value share in Long Life milk grew with more than 3pp (and more than 6pp in volume) on MAT level, reinforcing our existing market leadership. Main drivers for this are strong performances with the family packs and Flavored milk segments with strong visibility support (instore and out of store).

On Tomato Paste Saudia had a good year as well, benefiting from a strong double-digit growth in the category.Value market share evolution is flattish on MAT level, with the first months of the fiscal year being more difficult due to the price increase we had to implement and the last months recovering (driven by a very promising Ramadan support plan).

FROZEN

Ice Cream continued strong Sales, Share and Distribution growth. Retail Coverage Expansion through Freezers Induction and Consumer Centric Innovations were the key growth drivers during the year. SADAFCO Ice Cream further strengthened the Market Leadership position by outmatching the overall category growth. This resulted in increased Market Share across the top five Ice Cream segments (Sticks, Cones, Cups, Tubs & Sandwich). Lemon Mint Stick was a popular introduction that significantly outperformed expectations.

French Fries also recorded a healthy sales growth for the year. The Category experienced Potato shortage due to less than expected crop yield globally. SADAFCO managed to procure the stock from local and international sources to ensure timely availability in market.

COMMERCIAL OPERATIONS

Over the year, we continued to strengthen the base of our Commercial Operations via (i) Strong Joint business planning with top customers across all channels (ii) Relentless focus on improving efficiency via focusing our Sales force on the top 3-4 metrics to improve Productivity and Sales turnover (iii) Executing strong trade and channel programs to improve our shelf and display presence and (iv) Leveraging & learning fast on emerging channels.

Our Modern Retail sales and operations strengthened in the second half of the year after a challenging start to the financial year to deliver strong double-digit growth, while our Traditional Retail & Wholesale channels continued to be key drivers of growth. Apart from this, we invested in eCommerce and Discounter channels as key levers of future growth, growing our presence and sales in these channels to prepare a string base for the future.

Human Resources

SADAFCO has seen return of its employees post the COVID-19 era and it is business as usual. The most significant event of the year was the launch of SADAFCO's cultural journey initiative with the help of Korn Ferry. This created the necessary blueprint which can be used to kick start the transformation across the entire business. All HR activities revolved around the cultural journey to ensure that it manifested itself in different parts of the business.

HR was highly involved in activating the plan, leading the preparation, launching the culture survey and communicating the culture change journey across SADAFCO. Post launching the new vision, mission and purpose, a new set of values were identified for the organisation. Our new values are designed to make it shine like a diamond. "Next, a series of Culture Transformation Workshops were conducted to craft a comprehensive change roadmap and design the change journey. This initiative led to the development of the Value Activation Project, which focused on addressing both behavioral and visual aspects of the desired transformation.

Post launching the **new vision, mission and purpose,** a new set of values were identified for the organisation

12,372

training hours to 729 employees

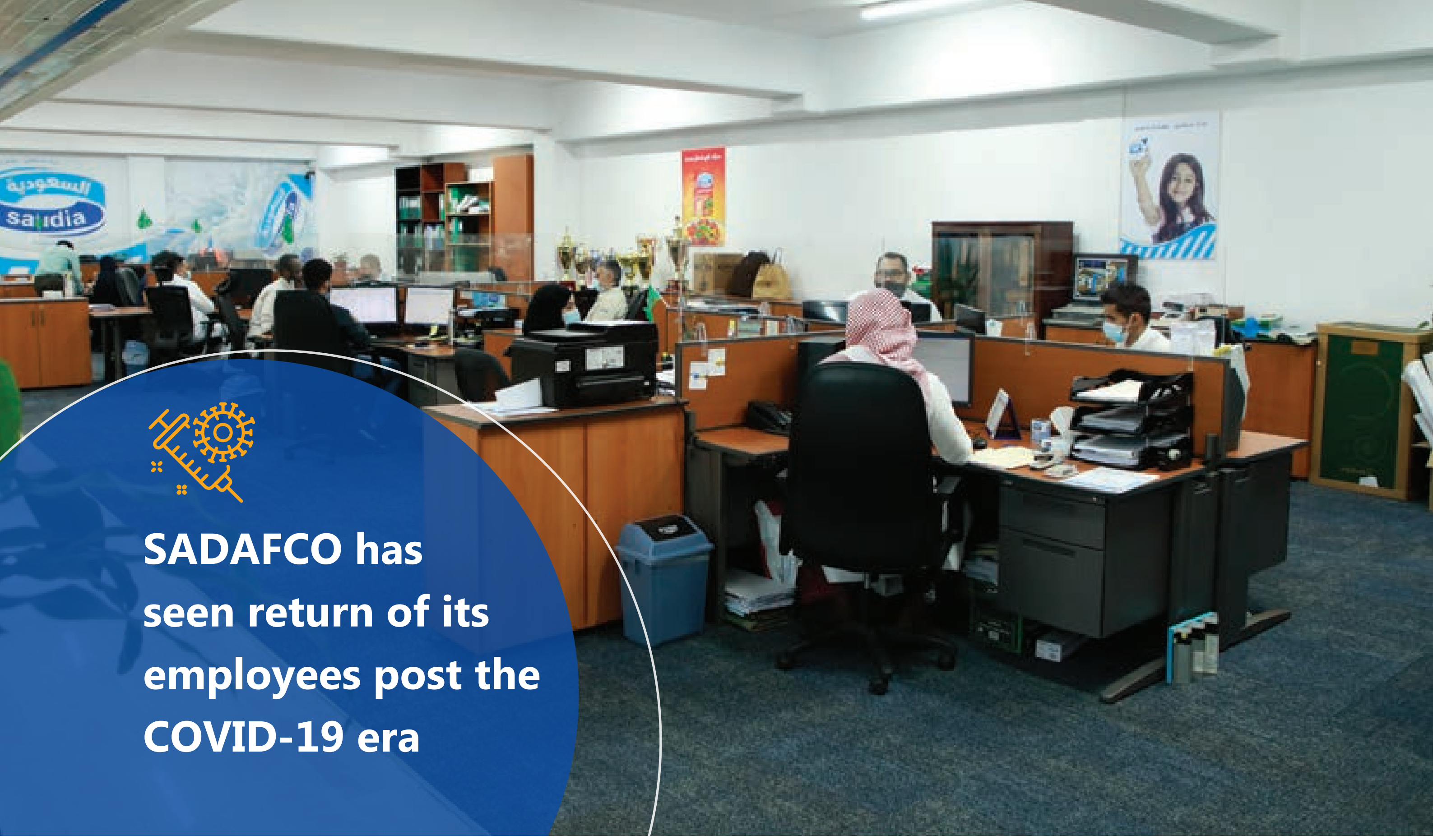
DEVELOPMENT

During last year our People Experience department facilitated learning through 1) classroom training; 2) online training; and 3) on job training. We provided 12,372 training hours to 729 employees. Covering functional, behavioral "leadership", and soft skills training.

There was a large focus on SC learning. Highlights in SC Trainings where our service covered offshore locations as well:

- Warehouse Operatives trained and certified with TUV: 55 employees.
- Developed first SC/ forklift & warehouse operative regional trainer in Eastern region to lead the training within the region.
- General Safety, Hygiene, Housekeeping awareness training done for Bahrain, Jordan and Kuwait depots.
- First Module ongoing for Fleet Management for certified automation under NAFA USA.
- Supported Transport department for getting an employee trained on CISP Course (Certified International Supply Chain Professional and Manager).
- Supported Fleet department for getting an employee trained on CILT Course (Certified international for logistics transport).
- Supported HSE Staff for NEBOSH training : 17
- Supported HSE Managers for NVQ Level 6 and 7 training course : 2
- Supported for Food defense training course from Intertek : 20
- Supported Quality team for Business Continuity and Internal Auditor training : 1
- Supported Supply Chain and Quality team for customer handling training from Intertek : 8

The sales academy was also launched.The idea is to create a fully dedicated program to further enhance the skills of our sales team.The plan is to create an academy for each one of the functions.



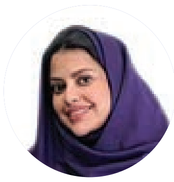
SADAFCO has seen return of its employees post the COVID-19 era

AWARDS

CEO Award for Employee of the year

Badr Khoja

Living the Co values-TRIPLE



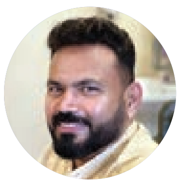
Ghada Aljouhar

Wessam Fahmy

Moustafa Gaber

Khaled Salim

Jasper Du Plessis



Abid Mannil

Nadyah Al Mjari

SUCCESSION PLANNING

Succession planning continues to be a key focus area for us. We are actively engaged in ongoing discussions, aiming to meticulously document the entire process and ensure our deep integration within the organisational culture.

POLICY REVIEW

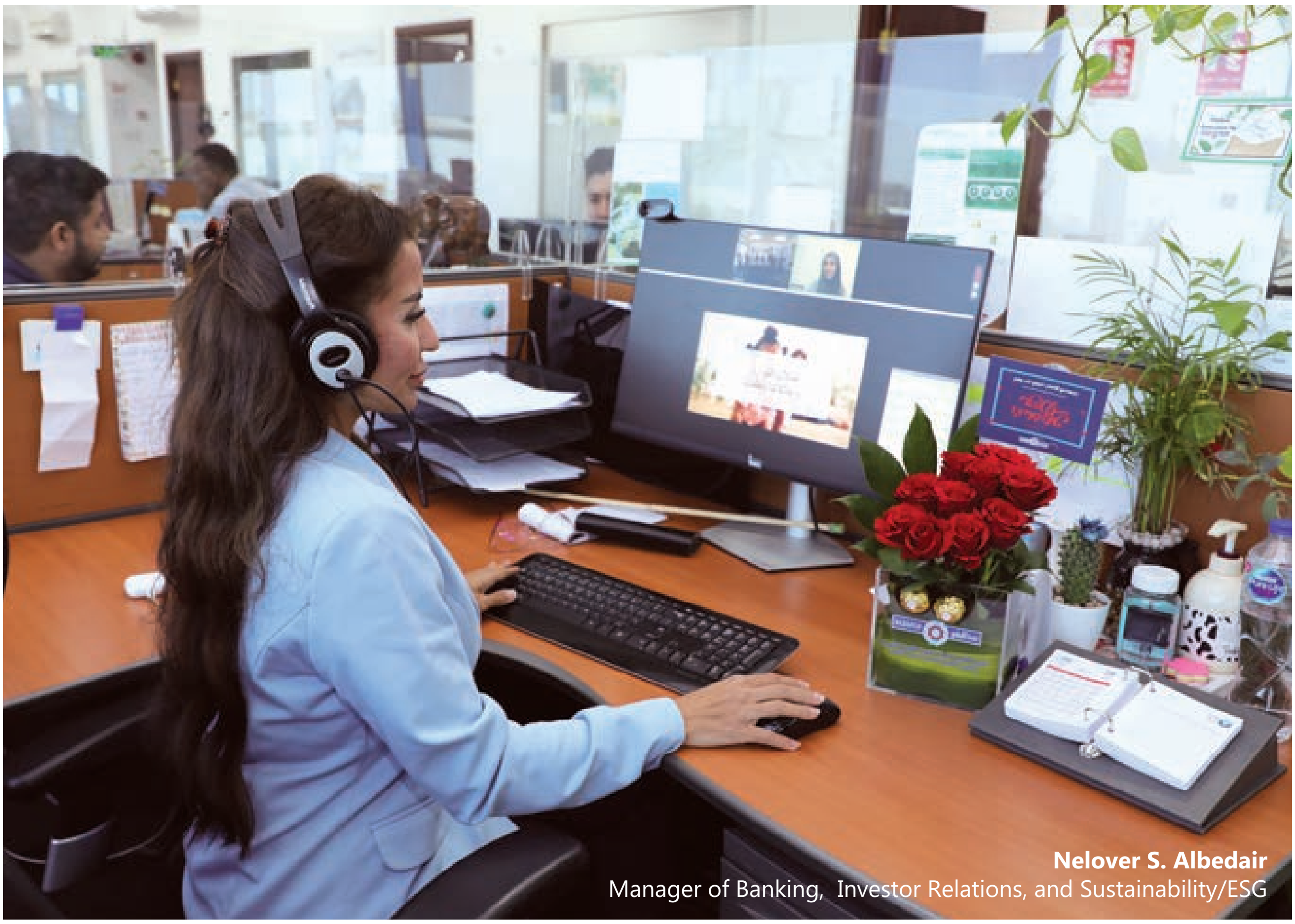
One of the key activities HR has been involved in, was revisiting various HR policies. Due to this we were able to review and change a total of 13 policies, and we will continue to review and revisit policies that need to be adjusted and updated.

INTERNSHIP

The creation of the Saudia Falcons. This is a program that will allow students to join SADAFCO in a structured program, so that they may get real life work experience in addition to feeding the talent pipeline in the company. A total of 31 students had been hired through Tamheer.

CELEBRATION

The company also celebrated National Day, Foundation Day, International Women's Day, and Breast Cancer Awareness Day. In addition to having the annual company Iftar, that was rolled out across depos across the Kingdom and the international markets. The executive team visited various depots to engage with the employees during the Iftar.



Nelover S. Albedair
Manager of Banking, Investor Relations, and Sustainability/ESG

EMPLOYEE HEALTH & WELLBEING

The health programs have begun to pick up again, with the purpose that staff live healthy and maintain good health. There have been numerous health initiatives launched across the business, from Breast cancer examinations, flu shots and general health inspections. Wellbeing will continue to be a key focus for the business in the coming year.

REWARDS

Performance bonuses were executed to all eligible employees. Annual salary review was executed for all eligible staff. We also introduced employee of the month, in addition to the TRIPLE value award. This award allowed us to personify each of our values in selected employees. A CEO award was also given to an employee who embodied all of SADAFCO's values.

ENGAGEMENT

The HR department had initiated 18 different engagement activities. The CHRO visited various depos across the kingdom and participated in various engagement activities to further enhance our new values. HR created a recreation room in HQ to celebrate the world cup and created a space where employees can relax and disconnect during their busy workday.

Sustainability at SADAFCO

SADAFCO is committed to achieving positive impacts on the environment, society and the long-term profitability of its business. It recognises that sustainable practices are not only a moral imperative, but also a strategic necessity. SADAFCO strives to integrate responsible practices into its operations and decision-making processes. The Company is integrating sustainability principles into daily operations and has identified areas for improvement and prioritized them according to their importance.

In FY2022-23, SADAFCO realigned its material topics and evaluated the actual and potential economic, environmental, and human impact and risk of the identified material issues. The identified material issues are divided into four strategic focus areas: Consumers, Environment and Climate, People and Community, and Governance as summarized below:

SADAFCO has a **dedicated ESG department** which is actively driving various initiatives aimed at establishing SADAFCO as a prominent advocate and leader in ESG efforts.

Four Pillars

CONSUMER

- Product Quality & Safety
- Consumer Delight
- Health & Nutrition
- Product Innovation
- Marketing and Labelling

ENVIRONMENT & CLIMATE

- Energy Management
- Water Management
- Waste Management
- Sustainable Sourcing & Packaging
- GHG Emissions & Climate Change
- Supply Chain Management

PEOPLE & COMMUNITY

- Diversity & Inclusion
- Employee Health & Happiness
- Community Impact
- Local Procurement

GOVERNANCE

- Corporate Governance & Compliance
- Ethics & Integrity
- Data Privacy & Security

This year, following the ESG Steering Committee recommendation, four new material topics were included in the Materiality Map i.e., Supply Chain Management, Local Procurement, and GHG Emissions & Climate Change. SADAFCO has plans to implement strategic initiatives to tackle these areas in the upcoming years.

Progress on the Sustainability Pillars

CONSUMER — ***Commitment to consumer delight by providing innovative, high quality, nutritious and safe products.***

Product Quality & Safety	▪ Renewed certificates from reputable product quality certification bodies such as ISO 22000, Halal and Organic.
Consumer Delight	▪ Simplified the consumer complaint process and modified workflows to enhance the complaint resolution mechanism. A dedicated consumer complaint coordinator has been assigned for handling consumer complaints.
Health & Nutrition	▪ Consumer education through communication on health & nutrition aspects through School programs benefiting 1.3 Mln students.
Product Innovation	▪ Developed 17 of new products during the year contributing to providing consumer more choices in nutritious and healthy products.

ENVIRONMENT & CLIMATE

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

Energy Management	▪ Formed an energy steering committee to explore initiatives for reducing energy intensity, emissions and increasing renewable energy usage. ▪ Solar power generation commenced at Jeddah Central Warehouse (JCW) rooftop plants. ▪ Signed MOU with Engie for generation of ~6.7MWp of solar power in 9 locations at SADAFCO. ▪ SADAFCO aims to include electric autonomous shuttle truck solution for an automated roll-on roll-off service between the Jeddah factory and central warehouse to reduce emissions from movement of goods.
Water Management	▪ Constituted a water steering committee to evaluate and implement strategies and initiatives aimed at increasing efficiency in water usage. ▪ Implemented an innovative solution at the Jeddah Milk Factory involving the cooling and recirculation of water used during the UHT process. Through the ingenuity of its in-house engineers, this practical idea is projected to save up to **48 Mln liters** of precious fresh water annually. ▪ Starting negotiations with a consultancy firm to prepare a long-term plan for treatment of wastewater.
Waste Management	▪ Implemented a compactor in its factory to create Tetra Pak waste bales. This has resulted in more than 90% recycling rate for packaging waste at the Jeddah factory. ▪ In a bid to foster a paperless culture within the organisation, SADAFCO successfully implemented a digital signature solution in partnership with the Emdha Services provider. This initiative enables the use of electronic signatures, reducing reliance on paper-based documentation throughout the organisation.
Sustainable Sourcing & Packaging	▪ Signed an MOU with the National Center for Waste Management (MWAN) and is in the process of forming a working team.

PEOPLE & COMMUNITY

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

Diversity & Inclusion	▪ The women diversity in workforce has remained steady with 7% of the workforce being women. ▪ SADAFCO is constructing a new day-care facility at the Jeddah Ice Cream factory, recognizing the significant presence of a female workforce in the facility. This dedicated day-care facility aims to support and cater to the needs of the largest women workforce within SADAFCO.
Employee Health & Happiness	▪ SADAFCO is launching new programs to develop internal leaders and prepare employees for leadership roles.
Community Impact	▪ SADAFCO receives ISO 26000:2010 conformance certificate for its strategic integration of CSR policies into how the Company operates. ▪ Signed a strategic agreement with Social Responsibility Association, the first licensed association specialized in CSR in the Makkah Province. By signing this agreement, SADAFCO aims to enhance its engagement and impact within the community. ▪ SADAFCO intends to develop local partnerships with reliable sources to supply bulk tomato paste for the company's popular Saudia Tomato Paste to support the objective of local market development and procurement.

GOVERNANCE

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

Corporate Governance & Compliance	SADAFCO is committed to comply with the CMA law and its implementing regulations, in order to ensure the sustainability of the company's business, create added value for all stakeholders, and to maintain the highest standards of ethics and integrity throughout the company. During this, effective initiatives have been implemented to strengthen governance, including: ▪ SADAFCO has developed a social responsibility policy as per CMA guidelines. ▪ An awareness has been circulated to all employees about "Insider Trading", in accordance with the Market Conduct Regulation issued by the CMA. ▪ The Board of Directors decided to form an "Investment Committee". ▪ An update has been made to the "Disclosure Forms" for the Board members and Executive Team.
Ethics & Integrity	▪ SADAFCO continues to raise awareness of the existing whistleblowing mechanism & policies through various internal communication channels. ▪ Formation of "Executive Ethics Committee" to: – oversight for ethics issues; – conduct regular audits & oversights of ethical standards; – ensure employee training on ethical standards.
Data Privacy & Security	▪ A personal data protection policy has been put in place in accordance with KSA's Personal Data Protection Law (PDPL). ▪ A Personal Data Protection Officer has been appointed, and a task force has been formed to ensure compliance with the applicable personal data protection regulations.

COMMUNITY IMPACT

CSR activities can have significant economic, social, cultural, and/or environmental impacts on local communities and SADAFCO prides itself in being a responsible company serving the society at large. Some of the CSR Initiatives undertaken during the year are highlighted below:

CSR Governance

- On 28/06/2022, SADAFCO CSR policy was approved by the General Assembly based on the recommendation of the Board of Directors.
- SADAFCO Applied ISO26000 CSR Guidelines.

Contribution In cash and Products

- Day care and nursery in Jeddah to help teach young minds about recycling.
- The Company contributed products to charities and schools catering to special needs.
- SADAFCO also contributed products to Quran schools.

Sponsoring & Participation in Events

- Signed the first CSR agreement with Jeddah CSR association.
- Sponsored the CSR forum 2023 Under the patronage of His Excellency the Minister of Labor and Social Development Eng. Ahmad bin Sulaiman AlRajhi.
- Sponsored the “Future Industrialists” initiative.
- SADAFCO sponsored sporting activities and supplied free products to schools in various locations across the Kingdom.
- Sponsorship of the Non-Profit Sector Empowerment Forum in Taif under the auspices of His Highness the Governor of Taif.

Community Volunteering

- Welcoming pilgrims' initiative during Hajj season.
- Jeddah beach cleanup initiative 2023.
- Under the Red Sea cleanup initiative 2023.
- Planting initiative 250 trees and completing around 200 hours as part of the National Green Saudi Program.

Educational & Vocational programs

- In the mission to educate kids on healthy food and its significant impact on their bodies, SADAFCO aims to reach 1M kids in 1,700 schools around 14 different cities in Saudi Arabia with their new campaign.

02

CORPORATE GOVERNANCE

Names of Board of Directors and Committee Members
- Current and Previous Positions, Qualifications and Experience

BOARD OF DIRECTORS

H.H Sheikh Hamad Sabah Al-Ahmad

CHAIRMAN

Previous Positions in SADAFCO & Other Company

Chairman

Qualifications

Diploma from Storm King School, USA

Experience

- Chairman of SADAFCO - Saudi Arabia
- Chairman of KIPCO Holding - Kuwait
- Chairman of Masharee Al-Khair Charity Organisation - Kuwait
- Chairman of Gulf Egypt Hotels & Tourism Company - Egypt

Mr. Faisal Hamad Mubarak Al-Ayyar

VICE CHAIRMAN

Previous Positions in SADAFCO & Other Company

Vice Chairman

Qualifications

Fighter Pilot, USA

Experience

- 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 Company - Bahrain
- Vice Chairman of United Gulf Bank- Bahrain
- Vice Chairman of Jordan Kuwait Bank - Jordan

Mr. Abdullah Yaqoob Bishara *

MEMBER

Previous Positions in SADAFCO & Other Company

Member

Qualifications

International Law University of Oxford, UK

Experience

- Board Member SADAFCO - Saudi Arabia
- Board Member of KIPCO Holding - Kuwait

*Mr. Abdullah Yaqoob Bishara resigned on 15 Dec 2022

Sheikh Sabah Mohammed Al-Sabah **

MEMBER

Previous Positions in SADAFCO & Other Company

Board member in various companies

Qualifications

Bachelor's Degree in business administration & Organisation Management, Kuwait University

Experience

- Board Member SADAFCO - Saudi Arabia
- Chairman of National Petroleum Service Co.
- Chief Strategic Projects Officer of KIPCO Holding - Kuwait
- Vice Chairman & CEO of Qurain Petrochemical Industries Co. - Kuwait
- Vice Chairman & Board Member of Jassim Transport & Stevedoring Co. - Kuwait
- Chairman of United Oil Projects - Kuwait
- Chairman of United Building Co. - Kuwait
- Vice Chairman & Acting CEO of United Industries Company - Kuwait
- Assistant Manager/Officer at Local & Gulf Trading Dept. of Manafa Investment Co. - Kuwait

Mr. Saied Ahmed Saied Basamh

MEMBER

Previous Positions in SADAFCO & Other Company

Board member in various companies

Qualifications

B.Sc Business Administration - Marketing & Logistics

Experience

- Board Member SADAFCO - Saudi Arabia
- Board Member - Sahra International Petrochemical Co. (International Sipchem)
- Board Member - International Medical Center
- Chairman- Al-Khair Inorganic Chemical Industries Co (inochem)
- Board Member - Basamh Group of Companies
- Board Member - Hala Supply Chain Services Company
- Board Member - IDEA International Investment & Development - Saudi Arabia
- Board Member - Future Resources Co. - Saudi Arabia
- Board Member Sorooh Al-Madinah for Real Estate Investments Co. - Saudi Arabia
- Board Member - Jeddah Development & Urban Regeneration Co. (JDURC) - Saudi Arabia

Mr. Ahmed Mohamed Hamed Al-Marzouki

MEMBER

Previous Positions in SADAFCO & Other Company

Board member in various companies

Qualifications

MBA - California State University - America

Experience

- Sales & Marketing SADAFCO - Saudi Arabia
- Board Member SADAFCO - Saudi Arabia
- Executive Management in various companies
- Vice-Chairman of Buruj Co-Op Insurance Company

** Sheikh Sabah Mohammed Al-Sabah joined the Board on 15 Dec 2022

BOARD OF DIRECTORS (Contd.)

Mr. Suleiman Saud Jarallah Al-Jarallah

MEMBER

Previous Positions in SADAFCO & Other Company

Member

Qualifications

Military School - Saudi Arabia

Experience

- Manager Al Jarallah for Gold and Jewellery – Saudi Arabia
- Board Member SADAFCO – Saudi Arabia

Mr. Mussad Abdullah Abdul Aziz Al-Nassar

MEMBER

Previous Positions in SADAFCO & Other Company

Member

Qualifications

Bachelor of Public Administration - Al Bakrki University - USA

Experience

- 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.

Mr. Hani Abdulaziz Ahmed Saab

MEMBER

Previous Positions in SADAFCO & Other Company

Chairman and Board member in various companies

Qualifications

B.Sc. Business Administration – University of California San Diego, USA

Experience

- 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

Mr. Abdullah Hamdan Abdullah Al Nassar

MEMBER

Previous Positions in SADAFCO & Other Company

Member

Qualifications

- (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

Experience

- Business & product Development at STC Solutions
- Business Owner at Fnaa alfan Est.
- Director of the Project Support Department for economic policies and planning in the Ministry of Economy and Planning project

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
1.	HH Sheikh Hamad Sabah Al-Ahmad	Non-executive
2.	Mr. Faisal Hamad Mubarak Al-Ayyar	Non-executive
3a.	Mr. Abdullah Yaqoob Bishara*	Non-executive
3b.	Sheikh Sabah Mohammed Al-Sabah **	Non-executive
4.	Mr. Saeid Ahmed Saeid Basamh	Non-executive

	Name	Capacity
5.	Mr. Ahmed Mohamed Hamed Al-Marzouki	Independent
6.	Mr. Suleiman Saud Jarallah Al-Jarallah	Non-executive
7.	Mr. Mussad Abdullah Abdul Aziz Al-Nassar	Executive
8.	Mr. Hani Abdulaziz Ahmed Sabb.	Independent
9.	Mr. Abdullah Hamdan Abdullah Al-Nassar	Independent

*Mr. Abdullah Yaqoob Bishara resigned on 15 Dec 2022
** Sheikh Sabah Mohammed Al-Sabah joined the Board on 15 Dec 2022

AUDIT COMMITTEE

	Name	Current Position	Previous Position	Qualifications	Experiences
1.	Mr. Faisal Hamad Mubarak Al-Ayyar	Chairman	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 Ohio State University, USA	▪ Board Member SADAFCO – Saudi Arabia ▪ Board Member – Sahra International Petrochemical Co. (International Sipchem) ▪ Board Member - International Medical Center ▪ Chairman- Al-Khair Inorganic Chemical Industries Co (inochem) ▪ Board Member - Basamh Group of Companies ▪ Board Member - Hala Supply Chain Services Company ▪ Board Member - IDEA International Investment & Development – Saudi Arabia ▪ Board Member - Future Resources Co. – Saudi Arabia ▪ Board Member Sorooh Al-Madinah for Real Estate Investments Co. – Saudi Arabia ▪ Board Member – Jeddah Development & Urban Regeneration Co. (JDURC) – Saudi Arabia
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 ▪ Vice Chairman of Buruj Co-Op Insurance Company

NOMINATION & REMUNERATION COMMITTEE

	Name	Current Position	Previous Position	Qualifications	Experiences
1.	Mr. Ahmed Mohamed Hamed Al-Marzouki	Chairman	Member	MBA - California State University - USA	▪ Sales & Marketing SADAFCO – Saudi Arabia ▪ Board Member SADAFCO – Saudi Arabia ▪ Executive Management in various companies ▪ Vice Chairman of 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
3.	Mr. Suleiman Saud Jarallah Al-Jarallah	Member	Chairman	Military School - Saudi Arabia	▪ Manager Jarallah Jewellery – Saudi Arabia ▪ Board Member SADAFCO – Saudi Arabia

INVESTMENT COMMITTEE

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

	Name	Current Position	Previous Position	Qualifications	Experiences
4.	Mr. Hani Abdulaziz Ahmed Saab.	Member	-	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
5.	Mr. Mussad Abdullah Abdul Aziz Al-Nassar	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.

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	No. 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 Products	Poland	PLN 8,728,000	17,456	76%
	Foodexo Sp. z.o.o.	Manufacturing of Dairy Products	Poland	PLN 1,000,000	2,000	76%
	Mlekoma Dairy 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 Kuwait Projects Company Holding ("KIPCO") KIPCO holds shareholding equal to 40.11% of the share capital. KIPCO is listed on Kuwait Stock Exchange.

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

Executive Management

PATRICK STILLHART

Chief Executive Officer

Patrick joined SADAFCO as its Chief Executive Officer on 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 organisations. 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 USD 2 Bln.

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.

FAHIM HAMDANI

Acting Chief Financial Officer

With over 35 years of extensive expertise in finance, treasury, auditing, and risk management, he has accumulated valuable experience working in renowned Big 4 auditing firms across the region. During his tenure at SADAFCO, he has successfully led accounting and finance teams and played a pivotal role in orchestrating the private placement of shares prior to the company's initial public offering (IPO). Additionally, he played an instrumental role in the team that worked on launch of SADAFCO's IPO and has been collaborating closely with the CEO on various mergers and acquisitions (M&A) initiatives.

Education

He holds a Bachelor's degree in Finance and possesses qualifications from the Institute of Chartered Accountants of Pakistan.

BRIAN STRONG

Chief Supply Chain Officer

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.

DEVASHEESH SINGH

Chief Commercial Operations Officer

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 Organisation 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.

JIM VERSTEYLEN

Chief Marketing Officer

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 led 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.

UMAR FARRUKH

Vice President – Frozen Business Unit

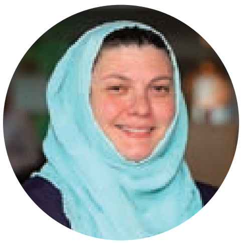
Umar is responsible for building a Frozen Organisation within SADAFCO through internal & external benchmarking including front & back-end investments. His responsibilities include crafting a 10-year Ambition and the consequent Business Strategy.

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).



NADIA ADEL IBRAHIM MALAIKA

Chief Human Resource Officer

She has a total of 22 years of experience in various industries. She started her career in corporate banking, where she spent a total of two years and later moved to work for Unilever in marketing for three years. She made a career shift in 2005 when she entered the world of academia and taught marketing in a business college, in addition to managing its career center. She re-joined Unilever in 2011, as part of the HR team where she spent 6 years between various HR functions. She later moved to Consumer Johnson & Johnson as an HR manager, and then worked for Glaxo Smith Kline for a total of 3.5 years as HR manager for the Jeddah and Algeria factory.

An accomplished HR professional with a solid history of achievement in all aspects of the business. Well versed in a variety of Human resource functions such as recruitment, training and business partnering. Skilled in HR Policies, Business Transformation, Organisation Development, Employee Relations, and leadership Development.

Education

Master's degree from Bournemouth University in Marketing and has gotten her bachelor's degree from King Abdul Aziz University in English literature and linguistics.

SULTAN AHMED ALGHAMDI

Chief Legal & Governance Officer

Sultan joined SADAFCO in March 2020. He is currently assuming the chief of Legal Affairs and Corporate Governance position, overseeing multiple legal practice areas such as litigation, legal advisory and studies, contracts and agreements, investigation, compliance, and corporate governance. Sultan has more than ten years of practical experience, and before joining SADAFCO, he worked for Rabigh Refining and Petrochemical Co. (Petro Rabigh), and he has collaborated with several law firms, providing his expertise and legal services.

Education

Master's degree in Law and Legal Practice from King Abdulaziz University in Jeddah, and a Bachelor's degree in Law from the same University, he also holds several accredited certificates in the field of governance and the secretariat of board affairs and its committees.

SHRIKANTH ANDALI

Chief Information Officer

Shrikanth joined SADAFCO as Head of IT in April 2022. His international career spans over 27 years in Food Manufacturing, FMCG and Banking blue-chip multinationals; 10+ years with Associated British Foods (ABF); 7+ years each at Mars Inc. and Johnson & Johnson; 2+ years in Bank of America. Shrikanth relocated from India to the UK in 1997 where he was based for over twenty-five years. He is a CIO with a consistent track record of establishing business-led IT strategy and has passionately delivered IT enabled business transformation. He is a credible IT partner who engages in fruitful relationships with all stakeholders. Shrikanth operates seamlessly between strategy & delivery layers and is an inspiring people leader having setup, nurtured & led high performing intercontinental teams.

Education

Master of Business Administration degree in Marketing and Behavioral Science from the University of Delhi. Prior to this, he completed a BS degree in Physics from the University of Madras (India).

"Additionally, Mr. Fahad Al Amoudi, the Vice President of the Out of Home Business Unit; Mr. Talal Alnounou, the Director of Public Relations & Government Relations; and Mrs. Najwa Hakeem, the Executive Office Manager for the CEO and Executive Team, are integral members of the Executive Management team."

THE NAMES OF COMPANIES INSIDE OR OUTSIDE THE KINGDOM OF WHICH THE BOARD MEMBER IS A MEMBER IN ITS CURRENT BOARD OF DIRECTORS AND FORMER BOARDS OF DIRECTORS OR A MANAGER

Name of BOD Member	Name of current companies of the BOD Member who is a member in their boards or its directors	Inside/ Outside KSA	Legal Entity (Listed/ Unlisted/ Limited)	Name of former Companies of the BOD Member who is a member in their boards or its directors	Inside/ Outside KSA	Legal Entity (Listed/ Unlisted/ Limited)
HH Sheikh Hamad Sabah Al-Ahmad	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ KIPCO Holding ▪ Masharee Al-Khair Organisation ▪ Gulf Egypt Hotels & Tourism Company	KSA Kuwait Kuwait Egypt	Listed Listed Charity Limited	▪ Burgan Bank ▪ National Mobile Co. ▪ United Real Estate Co. ▪ United Gulf Bank	Kuwait Kuwait Kuwait Bahrain	Listed Listed Listed Listed
Mr. Faisal Hamad Mubarak Al-Ayyar	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ KIPCO Holding ▪ United Gulf Holding Company ▪ United Gulf Bank ▪ Jordan Kuwait Bank ▪ Gulf Insurance Group ▪ Panther Media Group	KSA Kuwait Bahrain Bahrain Jordan Kuwait UAE	Listed Listed Listed Unlisted Listed Listed Limited			
Mr. Abdullah Yaqoob Bishara *	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ KIPCO Holding ▪ Consulting Office for Strategic Studies	KSA Kuwait Kuwait	Listed Listed Limited	▪ United Real Estate Company ▪ North Africa Holding	Kuwait Kuwait	Listed Unlisted
Sheikh Sabah Mohammed Al-Sabah**	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ National Petroleum Service ▪ KIPCO Holding ▪ Jassim Transport & Stevedoring Co. ▪ United Oil Projects Co. ▪ United Building Co.	KSA Kuwait Kuwait Kuwait Kuwait Kuwait	Listed Listed Listed Listed Unlisted Unlisted	▪ Qurain Petrochemical Industries Co. ▪ Manafa Investment Co. ▪ United Industries Co.	Kuwait Kuwait Kuwait	Listed Listed Unlisted
Mr. Saied Ahmed Saied Basamh	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Sahra International Petrochemical Co. (International Sipchem) ▪ International Medical Center ▪ Al-Khair Inorganic Chemical Industries Co (inochem) ▪ Basamh Group of Companies ▪ Hala Supply Chain Services Co. ▪ Future Resources Co.	KSA KSA KSA KSA KSA KSA KSA	Listed Listed Unlisted Unlisted Limited Limited Limited	▪ IDEA International Investment & Development ▪ Jeddah Development & Urban Regeneration Co. (JDURC) - Saudi Arabia ▪ Sorooh Al-Madinah for Real Estate Investments Co.	KSA KSA KSA	Limited Unlisted Limited
Mr. Ahmed Mohamed Hamed Al-Marzouki	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Saudi Arabian Drug Store ▪ Buruj Cooperative Insurance Company	KSA KSA KSA	Listed Limited Listed	▪ 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 Limited 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. Abdullah Yaqoob Bishara resigned on 15 Dec 2022
** Sheikh Sabah Mohammed Al-Sabah joined the Board on 15 Dec 2022

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. Hani Abdulaziz Ahmed Sabb	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Company 'Giordano Fashion Agency' ▪ East Trading Activities Co. ▪ Qurtubah Private School Co. ▪ Al Faneyah Electromechanical Co. ▪ Prime Star Technologies Co. Ltd ▪ Allied Motors Co. ▪ Eastern Trading Activities ▪ East Duct Factory	KSA KSA KSA KSA KSA KSA KSA KSA KSA	Listed Limited Limited Limited Limited Limited Limited Limited Limited	▪ Western Auto Co. ▪ Almadinah Press, Printing and Publishing Corporation.	KSA KSA	Limited Limited
Mr. Abdullah Hamdan Abdullah Al-Nassar	▪ Saudia Dairy & Foodstuff Co. (SADAFCO)	KSA	Listed			

NUMBER AND DATE OF BOARD OF DIRECTORS MEETINGS DURING THE FINANCIAL YEAR (01/04/2022 TO 31/03/2023)

The board had fifteen meetings; 3 attended and passed 19 resolutions by circulation

Name	Attended (3)			Resolution by Circulation (19)																			Total
	11/04/2022	18/09/2022	20/03/2023	07/04/2022	16/05/2022	25/05/2022	25/05/2022	29/05/2022	18/08/2022	18/09/2022	04/10/2022	23/10/2022	27/10/2022	03/11/2022	06/11/2022	10/11/2022	15/12/2022	03/01/2023	16/01/2023	24/01/2023	09/02/2023	12/03/2023	22
HH Sheikh Hamad Sabah Al-Ahmad	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr. Faisal Hamad Al-Ayyar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr. Abdullah Yaqoob Bishara *	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	×	✓	×							13
Sheikh Sabah Mohammed Al-Sabah **			✓															✓	✓	✓	✓	✓	6
Mr. Saeid Ahmed Basamh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr. Ahmed Mohamed Al-Marzouki	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr. Suleiman Saud Al-Jarallah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr. Mussad Abdullah Al-Nassar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr. Hani Abdulaziz Saab.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22
Mr. Abdullah Hamdan Al-Nassar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	22

*Mr. Abdullah Yaqoob Bishara resigned on 15 Dec 2022
** Sheikh Sabah Mohammed Al-Sabah joined the Board on 15 Dec 2022

The last Ordinary General Meeting (AGM) was held on 28 June 2022

SHARE OWNERSHIP OF BOARD OF DIRECTORS, SPOUSES AND MINOR CHILDREN

	Name	1st April 2022	31st March 2023	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.	Sheikh Sabah Mohammed Al-Sabah **	0	0	
5.	Mr. Saied Ahmed Saied Basamh Representing: Alsamh Trading Co.	3,798,008	3,798,008	-
6.	Mr. Ahmed Mohamed Hamed Al-Marzouki	20,000	20,000	-
7.	Mr. Suleiman Saud Jarallah Al-Jarallah	1,000	1,000	-
8.	Mr Mussad Abdullah Abdul Aziz Al-Nassar	11,000	11,000	-
9.	Mr. Hani Abdulaziz Ahmed Saab.	2,000	2,000	-
10.	Mr. Abdullah Hamdan Abdullah Al-Nassar	1,000	1,000	-

*Mr. Abdullah Yaqoob Bishara resigned on 15 Dec 2022
** Sheikh Sabah Mohammed Al-Sabah joined the Board on 15 Dec 2022

SHARE OWNERSHIP OF EXECUTIVE MANAGEMENT TEAM, SPOUSES AND MINOR CHILDREN

	Name	1st April 2022	31st March 2023	Change (+/-)
1	Mr. Patrick Stillhart	0	0	-
2	Mr. Fahim Hamdani	0	0	-
3	Mrs. Nadia Malaika	10	10	-
4	Mr. Brian Strong	0	0	-
5	Mr. Devasheesh Singh	0	0	-
6	Mr. Jim Versteylen	0	0	-
7	Mr. Umar Farrukh	0	2,050	+2050
8	Mr. Sultan Alghamdi	4	1	-3
9	Mr. Shrikanth Andali	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.

AUDIT COMMITTEE MEMBERS AND THEIR MEETINGS DURING 2022-23

Name	Capacity	Attended (4)				By Circulation (4)				Total
		18/09/2022	22/10/2022	23/01/2023	30/03/2023	14/04/2022	15/05/2022	26/05/2022	17/08/2022	
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) Analysing and reviewing the company organisational 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:

- Investigate and enquire any subject within its duties and specialties or any subject requested by the board.
- 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.
- 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.

NOMINATION AND REMUNERATION COMMITTEE MEMBERS, MEETINGS AND RESOLUTIONS DURING 2022-23

Name	Capacity	Attended (2)		By Circulation (2)		Total
		18/09/2022	02/11/2022	23/05/2022	08/12/2022	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

3) THE INVESTMENT COMMITTEE

The Investment Committee consists of five members.

Responsibilities, Authorities and Duties of the Investment Committee are:

A. COMMITTEE RESPONSIBILITIES:

1. Working with Executive Management to develop an investment strategy for the Company commensurate with the nature of its business, activities and risk exposure; and making appropriate recommendation thereon to the Board.
2. Overseeing the Company's investment activities and assessing the investment performance.
3. Studying and evaluating the investment opportunities proposed by the Executive Management, and making appropriate recommendation thereon to the Board, such investment opportunities include:
   - Merger or acquisition of companies, businesses, or assets.
   - Joint ventures, divestitures, or liquidation.
   - Investment in new or existing projects, or expansion of projects owned by the Company.
   - Investment opportunities that the Executive Management wishes to enter.
4. The Committee shall perform such other duties consistent with the Committee's purpose or that are assigned to it by the Board.

B. COMMITTEE AUTHORITIES:

1. Requesting the information and data necessary to assist the Committee in studying the topics that fall within its competences or referred thereto by the Board.
2. The Committee may seek assistance, at the Company's expense, from investment advisers, experts, legal or accounting advisors and other professionals as it deems necessary.
3. Approving or rejecting any investment opportunity, proposed by Executive Management, whose value is equal to or less than Fifty Mln Saudi Riyals (SAR 50,000,000) per the fiscal year, provided that the justification for the approval or rejection is recorded in the minutes of meeting. The Board shall be notified of the Committee's decisions in this regard.
4. Recommending to the Board approval or rejection of an investment opportunity, proposed by Executive Management, whose value is equal to or more than Fifty Mln Saudi Riyals (SAR 50,000,000) per the fiscal year.

C. COMMITTEE DUTIES:

1. Complying with the provisions of the Companies Law, the Capital Market Law and its implementing regulations, the Company's Bylaw and other related laws and regulations in exercising his/her duties.
2. Refraining from doing or participating in any act that would harm the interests of the Company.
3. **Confidentiality:** Committee's members and the secretary must maintain the Confidentiality of the information or documents made available

to them. He/She may in no case -even if his/her membership is terminated- disclose such information to any individual or entity, nor may he/she use any such information for his/her own personal benefits or that of his/her relatives or third parties.

4. **Conflicts of Interest:** Members must avoid situation that led to Conflicts of Interest with the Company. A Conflicts of Interest means that there is a direct or indirect interest to a member in any matter listed on the Committee agenda, and such an interest may (or is believed to) influence the independence of the member's opinion. If a member has a conflict of interest; he/she must disclose such conflict before starting the discussion of the matter. In such a case, the member must not attend nor participate in the discussion of the matter nor vote thereon, and to be stated in the minutes of meeting.

INVESTMENT COMMITTEE MEMBERS, MEETINGS AND RESOLUTIONS DURING 2022-23

Name	Capacity	Attended (1)	By Circulation (2)		Total
		20/09/2022	23/10/2022	09/11/2022	3
Mr Faisal Hamad Mubarak Al-Ayyar	Chairman	✓	✓	✓	3
Mr. Saied Ahmed Saied Basamh	Member	✓	✓	✓	3
Mr. Ahmed Mohamed Hamed Al-Marzouki	Member	✓	✓	✓	3
Mr. Hani Abdulaziz Ahmed Saab	Member	✓	✓	✓	3
Mr. Mussad Abdullah Abdul Aziz Al-Nassar	Member	✓	✓	✓	3

Details of **Compensation and Remuneration**

BOARD MEMBERS

	Fixed Remuneration (SAR)							Variable Remuneration (SAR)								
	A certain amount	Attendance allowance for board meetings	Total Committees attendance allowance	In-kind benefits	Details of board members earnings as workers or administrative or other earnings for technical, ad-ministrative and consultant ser-vices or technical services	Remuneration of Chairman or Managing Director or BOD Secretary if he is a member	Total	% of profit	Periodic Remuneration	Short term motivational plans	Long term motivational plans	Given Shares (value)	Total	End of Service Benefit (SAR)	Grand Total (SAR)	Expenses Allowance (SAR)
Independent Members																
Mr. Ahmed Mohamed Al-Marzouki	400,000		70,000				470,000								470,000	
Mr. Hani Abdulaziz Sabb	400,000		10,000				410,000								410,000	
Mr. Abdullah Hamdan Al-Nassar	400,000						400,000								400,000	
Total	**1,200,000**		**80,000**				**1,280,000**								**1,280,000**	
Non-Executive Members																
HH Sheikh Hamad Sabah Al-Ahmad	400,000						400,000								400,000	
Mr. Faisal Hamad Al-Ayyar	400,000		70,000				470,000								470,000	
Mr. Abdullah Yaqoob Bishara *	283,333						283,333								283,333	
Sheikh Sabah Mohammed Al-Sabah **	116,667						116,667								116,667	
Mr. Saied Ahmed Basamh	400,000		50,000				450,000								450,000	
Mr. Suleiman Saud Al-Jarallah	400,000		20,000				420,000								420,000	
Total	**2,000,000**		**140,000**				**2,140,000**								**2,140,000**	
Executive Members																
Mr. Mussad Abdullah Al-Nassar	400,000		10,000		703,455		1,113,455							116,980	1,230,435	
Total	**400,000**		**10,000**		**703,455**		**1,113,455**							**116,980**	**1,230,435**	

*Mr. Abdullah Yaqoob Bishara resigned on 15 Dec 2022
** Sheikh Sabah Mohammed Al-Sabah joined the Board on 15 Dec 2022

EXECUTIVE MANAGEMENT REMUNERATION FOR SIX MEMBERS INCLUDING CEO AND CFO*

	Fixed Remuneration (SAR)				Variable Remuneration (SAR)						End of Service benefit	Total Remuneration of BOD Executive if any	Total (SAR)
	Salaries	Allowances	In-kind Benefits	Total	Periodic Remuneration	Dividends	Short term plan incentives	Long term plan incentives	Given Shares (Value)	Total			
No. of staff (6)	4,603,980	1,857,698		6,461,678			1,882,000			1,882,000	412,888		8,756,566
Total	**4,603,980**	**1,857,698**		**6,461,678**			**1,882,000**			**1,882,000**	**412,888**		**8,756,566**

* 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.

REMUNERATION FOR AUDIT COMMITTEE

	Member	Fixed remuneration (except for the allowance for attending meetings)	Allowance for attending the meetings	Total (SAR)
1.	Mr. Faisal Hamad Mubarak Al-Ayyar		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**

REMUNERATION FOR INVESTMENT COMMITTEE

	Member	Fixed remuneration (except for the allowance for attending meetings)	Allowance for attending the meetings	Total (SAR)
1.	Mr Faisal Hamad Mubarak Al-Ayyar		10,000	10,000
2.	Mr. Saied Ahmed Saied Basamh		10,000	10,000
3.	Mr. Ahmed Mohamed Hamed Al-Marzouki		10,000	10,000
4.	Mr. Hani Abdulaziz Ahmed Saab		10,000	10,000
5.	Mr. Mussad Abdullah Abdul Aziz Al-Nassar		10,000	10,000
	Total		**50,000**	**50,000**

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:

1. 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.
2. 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.
3. To determine remuneration based on job level, duties and responsibilities, educational qualifications, practical experiences, skills, and level of performance.
4. To be consistent with the magnitude, nature and level of risks faced by the Company.
5. 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.
6. To attract talented professionals, retain and motivate them without exaggeration.
7. Such remuneration shall be reasonably sufficient for attracting, motivating, and retaining qualified and experienced members.
8. 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.
9. To take into consideration the company scope of business, magnitude, and the experiences of its Board of Directors members.
10. 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.
11. 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.

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 28/06/2022
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	✓

	Name	AGM 28/06/2022
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 2022 TO 31ST MARCH 2023

No. of Request	Date of Request	Reason
1	11/05/2022	Company requirement
2	30/06/2022	Dividend
3	05/01/2023	Dividend

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

	Name	Number of Shares on 1st April 2022	Number of Shares on 31st March 2023	Percentage Ownership on 1st April 2022	Percentage Ownership on 31st March 2023	Change (+/-)
1.	Al Qurain Petrochemicals Industries Company*	13,036,461	0	40.11%	0	- 13,036,461
2.	Kuwait Investment Projects Company (KIPCO) Group*	0	13,036,461	0	40.11%	+ 13,036,461
3.	Al-Samh Trading Co Ltd	3,798,008	3,798,008	11.68%	11.68%	0

* SADAFCO was notified on 6th of Feb 2023, that Kuwait Projects Company ("KIPCO") acquired 13,036,461 thirteen million thirty-six thousand four hundred and sixty-one shares, representing 40.11% of SADAFCO's paid-up capital, following the merger between KIPCO and Al Qurain Co.

SADAFCO's Dividend Distribution Policy

The Dividend Distribution Policy is prepared as per the requirements of Article (9) of Corporate Governance Regulations, Companies Law and SADAFCO's Bylaws.

PAYMENT DATE OF DIVIDENDS

The Board shall execute the General Assembly resolution regarding distribution of dividends to the registered shareholders who owned shares on the eligibility date within 15 days from the due date determined in the General Assembly resolution, or Board resolution for distributing interim dividends.

Dividends shall be paid to the shareholders in the place and date determined by Board.

DIVIDENDS DISTRIBUTION ANNOUNCEMENT

A. Announcement for the Distribution of Interim Dividends.

- The company is obliged to make a prompt disclosure and announcement on TADAWUL, whenever a resolution is made by the Board for the distribution of interim dividends on a biannual or quarterly basis. Moreover, it shall provide the CMA with a copy of the Board resolution after the issuance.

B. Announcement for the Distribution of Annual Dividends.

- Based on the Board recommendation, the Shareholders General Assembly shall vote for the distribution of annual dividends. The Company is committed to the Board resolution to recommend an annual dividend to the General Assembly for voting and immediately should disclose and announce that on TADAWUL website.
- The announcement issued by the company should include the following:
  - Date of the Board resolution.
  - Distribution period (annual, interim, biannual or quarterly).
  - Total distributed amount.
  - Number of shares entitled for dividends.
  - Distribution amount per share.
  - Distribution percentage to the nominal share value.
  - Date of entitlement. The eligibility will be to those shareholders who owned shares on the eligibility day, and registered in the Securities Depository Centre on the end of the second trading day following the eligibility day.
  - Date of distribution (In case if distribution date is not fixed), "Date to be announced" shall be mentioned.

SOURCES AND AMOUNTS OF DIVIDENDS

A. The company's annual net profits shall be distributed as follows:

- 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.
- 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.
- 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.
- The balance thereafter shall be distributed among the shareholders in a proportion representing (5%) of the paid-up capital.
- Subject to the provisions laid down in Article 76 of the Companies' Law and Article 24 of the Company Bylaws, 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 Board member shall not exceed SAR 500,000.

B. Distribution of interim dividends:

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

- The issuance of annual resolution by the General Assembly authorizing the Board to distribute interim dividends.
- The company shall enjoy regular positive profitability.
- The company shall enjoy reasonable liquidity, and able to reasonably foresee the scale of its profits.
- The Company shall have distributable profits based on the latest audited financial statements. These profits shall be sufficient to cover the proposed dividend distribution, after deducting the amounts distributed and capitalized of the dividends, after the date of these financial statements.

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

	% Dividends during the financial year from 01/04/2022 to 31/03/2023		Total Dividend
	1st Half Year Dividend	Final Dividend recommended for distribution	
%	30%	30%	60%
Total (SAR Mln)	96	96	192

ELIGIBLE SHAREHOLDERS FOR DIVIDENDS

The entitlement of receiving dividends is for shareholders who owned shares in the due date specified in the Board resolution to distribute biannual or quarterly basis interim dividends, which will be announced on TADAWUL. Alternatively, it is for those who owned the shares at the end of trading day of AGM meeting, and AGM approval to distribute annual dividends. The resolution shall highlight the entitlement and distribution dates, provided that this resolution shall be implemented in accordance with the stated rules and procedures issued for the implementation of the Bylaws of the listed joint stock companies.

REVISION AND ENFORCEMENT

- The Board shall revise the content of this policy, as may be necessary.
- This policy will be effective and enforceable after the approval of the Board on 27/02/2018.
- Texts or rules, whatsoever, not stated in this policy, will be subject to the application of the Saudi Corporates' Law, its regulations, Capital Market Authority law and its executive regulations, the Company Bylaws and resolutions issued by the concerned bodies.

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

The Board has approved the annual risk-based internal audit (IA) plan and ensured its timely and effective execution. The IA department reviews the adequacy, efficiency and effectiveness of internal controls, risk management and governance processes to ensure their effectiveness. This is accomplished through the execution of the approved annual plan 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 a systemic Risk Management process, and is reporting results to the board of directors.

Based on the work of the internal 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. Management updated the (business continuity plan manual) as a result of certain personnel related changes, and is now working on activating the same.

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 Mln)	Closing Balance (SAR Mln)
Buruj Co-Op Insurance Company*	KSA	Insurance Services	9.3	2.5

* 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 9,335,766 starting on 1st July 2022 and ending on 30th June 2023 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 the Vice Chairman of Buruj Cooperative Insurance Company and Board Member of SADAFCO (Indirect interest).

Company Name	Country	Nature of Transaction	Value (SAR Mln)	Closing Balance (SAR Mln)
PKC Advisory	India	Consultation Services	1.3	0.0

SADAFCO has a Consultancy Agreement with PKC Advisory for various business advisory services for the period of one year from 1st April 2022 until 31st March 2023 with a total amount SAR 1,347,844, 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 and Sheikh Sabah Mohammed Al-Sabah** is a BOD Member of SADAFCO and member of the executive team of KIPCO (Indirect interest).

*Mr. Abdullah Yaqoob Bishara resigned on 15 Dec 2022
.** Sheikh Sabah Mohammed Al-Sabah joined the Board on 15 Dec 2022

Company Name	Country	Nature of Transaction	Value (SAR Mln)	Closing Balance (SAR Mln)
AXA Cooperative Insurance Co	KSA	Insurance Services	0.7	0.003

SADAFCO entered into a one-year Agreement with AXA Cooperative Insurance Co. (offering insurance services) with a total amount of SAR 657,000, starting on 16th December 2022 and ending on 15th December 2023 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 owning 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 and Sheikh Sabah Mohammed Al-Sabah** is a BOD Member of SADAFCO and member of the executive team of KIPCO (Indirect interest).

*Mr. Abdullah Yaqoob Bishara resigned on 15 Dec 2022
.** Sheikh Sabah Mohammed Al-Sabah joined the Board on 15 Dec 2022

Company Name	Country	Nature of Transaction	Value (SAR Mln)	Closing Balance (SAR Mln)
M/s Alternative Energy Project Co.	KUWAIT	Solar Project of JCW	0.9	0.9

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 in installments based on completion, 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 and Sheikh Sabah Mohammed Al-Sabah** is a BOD Member of SADAFCO and member of the executive team of KIPCO (indirect interest)

*Mr. Abdullah Yaqoob Bishara resigned on 15 Dec 2022
.** Sheikh Sabah Mohammed Al-Sabah joined the Board on 15 Dec 2022

Competition Business

Information relating to any competing business with the Company or any of its activities that any member of the Board is engaging in or was engaging in such competing businesses

Board Member Name	Competitor Name	Nature of the activity	Member status	Competition nature
Mr. Saied Ahmed Saied Basamh	Basamh Group of Companies	Distribution of foodstuff to retail stores	Ownership	Direct
	Saudi Goody Products Marketing Co., Ltd	Owner of a trademark for foodstuff	Ownership	Direct
	Saudi Specialized Food Services, Ltd	Distribution of foodstuff to retail stores, hotels, restaurants and catering customers	Ownership	Direct
	Basamh Industrial Co. Ltd	Manufacturing and Owner of a trademark for foodstuff	- Ownership - Board Membership	Direct
	Refined Food Co.	Manufacturing and Owner of a trademark for foodstuff	- Ownership - Board Membership	Direct

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 logistics operations, resulting in future cost savings and growth opportunities.

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.

STRENGTHENING THE FOUNDATION OF OUR BUSINESS: PURPOSE, CULTURE AND ESG/ SUSTAINABILITY

1. In the past Financial Year, SADAFCO has initiated numerous endeavors that are already making significant strides in shaping and strengthening our Purpose, Culture, and Values.
2. SADAFCO is continuously executing its ESG/ Sustainability roadmap, focusing on four key areas:
   - Consumer (Product Safety, Quality, Health & Nutrition, Innovation)
   - Climate (Energy, Water and Waste Management/Reduction, GHG/CO2 -> Decarbonisation roadmap)
   - People (Diversity, Equality, Integrity)
   - Corporate Governance

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 and 15th November 2021, 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 Mln.

Financial Instruments Risk Management Objective and Policies

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

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

MARKET RISK

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

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. As at March 31, 2023 and March 31, 2022, the Group does not have any borrowings, and accordingly, no interest rate risk sensitivity is presented. Interest-bearing financial assets comprise of short term murabaha deposits and long-term investment in sukuks certificates which are at fixed interest rates; therefore, they have no material exposure to cash flow interest rate risk and fair value interest rate risk.

II) CURRENCY RISK

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

III) PRICE RISK

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

CREDIT RISK

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

I) TRADE RECEIVABLES

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

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

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

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

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

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

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

II) CASH AND CASH EQUIVALENTS AND INVESTMENTS

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

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

LIQUIDITY RISK

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

Penalties and Sanctions

The Capital Market Authority or other supervisory and regulatory authorities have not imposed any penalties or fines during the financial year 2022-23.

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 KPMG, 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 Organisation 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 2023

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

Unimplemented articles of the Corporate Governance Regulation issued by the Board of the Capital Market Authority and the reasons.

Article/Sub Article	Details of Article / Sub Article	Reasons
30/b	The Board shall convene no less than four meetings per year, and no less than one meeting every three months.	The amendments to the Corporate Governance Regulations were implemented on 01/18/2023, taking into account the company's fiscal year ends on 03/31/2023, which the year had only two months left; as a result, it is difficult to implement this article, knowing that the current bylaws have already been followed. Four meetings shall be held in compliance with the amended Corporate Governance Regulations in the coming fiscal year.
39/e	The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.	Guiding article.
51/c	The Chairman of the Audit Committee shall be an Independent Member.	Guiding article.
51/d	Half of the audit committee's members must be Independent Directors or from those on whom the issues affecting independence in Article (19) of this Regulation do not apply.	Guiding article.
67	**Composition of the Risk Management Committee** The Company's Board shall, by resolution therefrom, form a committee to be named the "Risk Management Committee". Chairman and majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.	Guiding Article. Risk management is undertaken by Audit Committee.
68	**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;	Guiding Article. Risk management is undertaken by Audit Committee.

Article/Sub Article	Details of Article / Sub Article	Reasons
68	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 organisational structure for risk management and providing recommendations regarding the same before approval by the Board; 10. verifying the independence of the risk management employees from activities that may expose the Company to risk; 11. ensuring that the risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk; and 12. reviewing any issues raised by the audit committee that may affect the Company's risk management.	Guiding Article. Risk management is undertaken by Audit Committee.
69	**Meetings of the Risk Management Committee** The Risk Management Committee shall convene periodically at least once every six months, and as may be necessary.	Guiding Article. Risk management is undertaken by Audit Committee.
82/2	**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.
92	**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.


CAUTION

03

FINANCIAL STATEMENTS

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

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2023
with
INDEPENDENT AUDITOR'S REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2023

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأميرسلطان
ص. ب. 55078
جدة 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

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

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

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

Key Audit Matter

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

Expected credit losses for trade receivables	
Refer to Note 3 for the accounting policy and Note 20 of the consolidated financial statements.	
Key audit matter	**How our audit addressed the Key audit matter**
As at March 31, 2023, the gross trade receivables balance was Saudi Riyals 313.58 million (March 31, 2022: Saudi Riyals 272.84 million), against which an allowance for impairment loss of Saudi Riyals 27.77 million (March 31, 2022: Saudi Riyals 39.19 million) was maintained. The Group assesses at each reporting date whether the trade receivables (carried at amortized cost) are credit impaired. Consequently, it measures impairment allowances based on the Expected Credit Loss (ECL) model as required in International Financial Reporting Standard 9 ("Financial Instruments") ("IFRS 9"). The ECL model involves the use of various assumptions and historical trends. We considered this as a key audit matter due to the judgements and estimates involved in the application of the ECL model and the impact on the trade receivables balance.	Our audit procedures related to expected credit losses for trade receivables included: − Obtained an understanding of the management's process for determining the Impairment of trade receivables and the ECL allowance. − Evaluated the Group's accounting policy and methodology for ECL allowance with the requirements of IFRS 9. − Involved our internal specialists to review the methodology used, including the significant judgements and assumptions used in the ECL model developed by the management. − Tested the accuracy of trade receivables aging on sample basis, as at March 31, 2023 generated by the accounting system which is used in the preparation of ECL model; and − Assessed the adequacy of the disclosures included in the accompanying financial statements in accordance with relevant accounting standards.

Other Matter Relating to the Comparative Information

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

Other Information

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

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

Other Information (continued)

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

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

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

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

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

KPMG

Independent Auditor's Report

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

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

- 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, then 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 of Saudia Dairy and Foodstuff Company (SADAFCO) ("the Company") and its subsidiaries ("the Group").

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

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.

For KPMG Professional Services

كي بي إم جي للإستشارات المهنية
Lic No. 46
C.R. 4030290792
J : 1
KPMG
ترخيص رقم ٤٦
س ت: ٤٠٣٠٢٩٠٧٩٢
KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454

Jeddah, June 20, 2023
Corresponding to Dhul Hijjah 2, 1444H

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended March 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

Mussad Abdullah Al Nassar Member Board of Directors	Patrick Stillhart Chief Executive Officer	Fahim Hamdani Acting Chief Financial Officer

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended March 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

Mussad Abdullah Al Nassar Member Board of Directors	Patrick Stillhart Chief Executive Officer	Fahim Hamdani Acting Chief Financial Officer

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

Mussad Abdullah Al Nassar	Patrick Stillhart	Fahim Hamdani
Member Board of Directors	Chief Executive Officer	Acting Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended March 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Attributable to owners of the Company								
	Share capital	**Statutory reserve**	**Other reserve**	**Treasury shares**	**Foreign currency translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
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 declared (Note 36)	--	--	--	--	--	(191,998)	(191,998)	--	(191,998)
Transfer to other reserve (Note 24)	--	--	20,729	--	--	(20,729)	--	--	--
Balance at March 31, 2022	**325,000**	**162,500**	**303,172**	**(51,559)**	**(11,506)**	**812,596**	**1,540,203**	**21,151**	**1,561,354**
Profit for the year	--	--	--	--	--	**308,771**	**308,771**	**1,693**	**310,464**
Other comprehensive loss / income	--	--	--	--	**1,105**	**(4,913)**	**(3,808)**	**(463)**	**(4,271)**
Total comprehensive loss / income for the year	--	--	--	--	**1,105**	**303,858**	**304,963**	**1,230**	**306,193**
Dividends declared (Note 36)						**(192,000)**	**(192,000)**	--	**(192,000)**
Transfer to other reserve (Note 24)	--	--	**30,877**	--	--	**(30,877)**	--	--	--
Balance at March 31, 2023	**325,000**	**162,500**	**334,049**	**(51,559)**	**(10,401)**	**893,577**	**1,653,166**	**22,381**	**1,675,547**

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

Mussad Abdullah Al Nassar
Member Board of Directors

Patrick Stillhart
Chief Executive Officer

Fahim Hamdani
Acting Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended March 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

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

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

Mussad Abdullah Al Nassar	Patrick Stillhart	Fahim Hamdani
Member Board of Directors	Chief Executive Officer	Acting Chief Financial Officer

(All amounts in Saudi Riyals thousands unless otherwise stated)

1. GENERAL INFORMATION

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

Ibrahim Almalki Street,
Alnakhil District
P.O. Box 5043, Jeddah 21422
Kingdom of Saudi Arabia

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

The accompanying consolidated financial statements include the activities of the Company’s head office and its following branches:

Commercial Registration No.	Location of Branch	Commercial Registration No.	Location of Branch
1010138304	Riyadh	2511003119	Hafr Elbatin
1010138318	Riyadh	3350006499	Hail
1116003338	Riyadh	3403005857	Hasa
1131010561	Buraydah	3550007577	Tabouk
2050031704	Dammam	4030122648	Jeddah
5950003515	Najran	4030279567	Jeddah
2251018568	Dhahran	4030311244	Jeddah
1011150527	AlKharj	4030424042	Jeddah
4032019884	Taif	4031019174	Makkah
4700003368	Yanbu	4650005848	Madinah
5860013254	Abha	5852001684	Sabt Al Alaya
5900003767	Jizan	5860013254	Abha

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Preparation of the consolidated financial statements

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

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

2.3 Functional and presentation currency

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

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

2. BASIS OF PREPARATION (continued)

2.5 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of these consolidated financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2024
IAS 1	Non- current liabilities with covenants (amendments to IAS 1)	January 1, 2024
IFRS 16	Lease Liability in a Sale and Leaseback – Amendment	January 1, 2024
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

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

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

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

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

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

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

Business combinations

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Subsidiaries

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

3.2 Investment in equity accounted investees (associate)

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Fair value measurement

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

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Refer Note 35 for more details.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Segment reporting

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

An operating segment is group of assets and operations:

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

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

The following summary describes the operations of each reportable segment:

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

3.5 Foreign currencies translation

Transaction and balances

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Foreign currencies translation (continued)

Transaction and balances (continued)

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

Group companies

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

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

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

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

3.6 Revenue recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Revenue recognition (continued)

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

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

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

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

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

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

3.7 Selling, distribution, general and administrative expenses

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Dividends distribution

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

3.9 Property, plant and equipment

i) Recognition and measurement

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

ii) Subsequent expenditure

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

iii) Depreciation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Property, plant and equipment (continued)

iii) Depreciation (continued)

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

Capital working in progress

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

3.10 Intangible assets

Goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Intangible assets (continued)

Brands, customer and supplier relationships

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

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

3.11 Zakat and income taxes on foreign entities

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Leases

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments

Non-Derivative Financial instruments

(i) Financial assets (Non-derivative)

Initial recognition and measurement

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

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

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

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

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

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

Subsequent measurement

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

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

Derecognition

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

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

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

Impairment

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

ii) Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Financial liabilities at fair value through profit or loss

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

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

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

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

Financial liabilities at amortised cost

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

ii) Financial liabilities (continued)

Derecognition

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

iii) Offsetting of financial instruments

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

Derivative Financial instruments

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

3.14 Impairment of non-financial assets

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Cash and cash equivalents

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

3.16 Trade receivables

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

3.17 Inventories

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

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

3.18 Trade and other payables

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

3.19 Provisions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.20 Non-controlling interest put options

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

3.21 Employee benefit obligations

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

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

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

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

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

3.22 Share capital

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

3.23 Treasury shares

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.24 Other reserve

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

3.25 Earnings per share

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

(i) Goodwill - Annual impairment testing of goodwill

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(ii) Non-controlling interest put options

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

(iii) Measurement of post-employment defined benefits

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

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

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

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

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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

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

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

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

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

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

(vi) Useful lives of property, plant and equipment

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

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

(vii) Allowance for inventory losses

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. GROUP INFORMATION

The consolidated financial statements of the Group include:

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

(*) The Group considers the SADAFCO Kuwait Foodstuff Co. W.L.L ("investee company") as 100% subsidiary and held 51% beneficial interest in the investee company through parties nominated by the Group.
(**) These entities together are referred to as "Mlekoma group".

6. REVENUE

Revenue for the year comprise of the following:

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

Disaggregation of revenue from contracts with customers

Primary geographical markets

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

7. COST OF SALES

Cost of sales for the year comprise of the following:

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

8. SELLING AND DISTRIBUTION EXPENSES

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

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

9. GENERAL AND ADMINISTRATIVE EXPENSES

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

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

10. FINANCE INCOME

Finance income for the year comprise of the following:

	2023	2022
Finance income on murabaha certificates	**17,719**	4,400
Finance income on long term investment	**780**	--
	18,499	4,400

11. FINANCE COSTS

Finance costs for the year comprise of the following:

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

12. BASIC AND DILUTIVE EARNINGS PER SHARE

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

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

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

14. LEASES

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

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

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

a. Right-of-use assets

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

14. LEASES (continued)

b. Lease liabilities

Movement in lease liabilities during the year is as follows:

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

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

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

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

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

14. LEASES (continued)

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

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

15. INTANGIBLE ASSETS

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

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

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

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

(a) Brand and others

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

(b) Goodwill

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

15. INTANGIBLE ASSETS (continued)

(b) Goodwill (continued)

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

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

Key assumptions	**2023**	2022
EBITDA margins	**4%**	5.1%
Discount rate	**10.9%**	8.7%
Terminal value growth rate	**2.5%**	2.5%

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

- Revenue growth was projected taking into account the average growth levels experience over the past years and the estimated sales volume and the price growth for the next five years.

- The discount rate was an estimate of the weighted average cost of capital as of March 31, 2023 based on market rates adjusted to reflect management's estimate of the specific risks relating to segment and operations in Poland.

- The cashflows projection included specific estimates for five years and terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of long term compound annual EBITDA growth rate.

Sensitivity to the changes in assumptions

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

(i) EBITDA margins

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

15. INTANGIBLE ASSETS (continued)

(ii) Discount rate

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

(iii) Terminal value growth rate

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

16. EQUITY ACCOUNTED INVESTEE

a) The Group has a 37% shareholding in Mlekoma Dairy Sp. z o.o. ("the associate"), a company incorporated in Poland. The investment is accounted for using equity accounted investment.

b) The movement in the investment in equity accounted investee for the year ended March 31 is as follows:

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

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

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

Share in net assets

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

16. EQUITY ACCOUNTED INVESTEE (continued)

Share in profit / (loss)

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

17. LONG TERM INVESTMENT

Long term investment comprise of the following:

	2023	2022
Long term investment	**38,258**	--

During the year ended March 31, 2023, the Group has invested Saudi Riyals 38 million in Tier 1 Sukuks, issued by Al Rajhi Bank, with a face value of Saudi Riyals 1,000 each. The Sukuks carry a mark-up of 5.5% per annum and are classified at amortised cost. The Sukuks are having a maturity date of November 16, 2027.

The Sukuks are listed on Tadawul and are currently actively traded in the market. The fair value of the Sukuks at March 31, 2023 was Saudi Riyals 1,012.7 per certificate. The investment is made with bank with sound credit rating of A1 based on Moody's credit rating.

18. NON-CONTROLLING INTEREST PUT OPTION

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

The non-controlling interest put option is a binding, irrevocable option to acquire from the non-controlling interest equity holders their remaining shareholding at the expiry date of the option i.e. fifth year of the completion date, in accordance with terms of the sales and purchase agreement ("SPA"). The put option available to the non-controlling interest equity holders is exercisable within a period of 15 business days from the expiry date of the option. The redemption value is recognised as higher of the purchase price as per the SPA or determined by applying the earnings multiplier to the audited EBITDA of the financial year 2022 of Mlekoma group as reduced by net debt in accordance with the SPA. This is a level 3 fair valuation as per IFRS 13. Refer Note 35 for fair valuation details.

(All amounts in Saudi Riyals thousands unless otherwise stated)

19. INVENTORIES

Inventories as at March 31 comprise of the following:

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

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

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

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

20. TRADE RECEIVABLES

Trade receivables as at March 31 comprise of the following:

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

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

20. TRADE RECEIVABLES (continued)

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

21. PREPAYMENTS AND OTHER RECEIVABLES

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

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

22. SHORT TERM INVESTMENTS

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

	2023	2022
Short term murabaha deposits	**394,520**	--

a) Short term murabaha deposits represent deposits with local banks that have an original maturity of more than three months and less than twelve months from the investment date.

b) These deposits earn commission at an average rate of 5.10% per annum as at March 31, 2023 (March 31, 2022: Nil).

c) The investments are made with banks with sound credit ratings ranging from A1 to A2 based on Moody's credit rating.

23. CASH AND CASH EQUIVALENTS

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

23. CASH AND CASH EQUIVALENTS (continued)

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

24. CAPITAL AND RESERVES

24.1 Share capital

	No. of shares	2023	2022
Authorized capital	**32,500,000**	**325,000**	325,000
Share capital	**32,500,000**	**325,000**	325,000

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

On November 23, 2022, one of the major shareholders, Al Qurain Petrochemicals Industries Company ("QPIC") sold its entire shareholding of 13.036 million shares (representing 40.112% of the total share capital of the Group) to Kuwait Projects Company Holding ("KIPCO").
The legal formalities for the transfer of shares were completed in all respects during the year ended March 31, 2023. At March 31, 2023, the Group's parent entity is Kuwait Projects Company Holding ("KIPCO")` and Group's ultimate parent entity is Al Futtooh Holding Company K.S.C. (Closed).

24.2 Statutory reserve

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

24.3 Treasury shares

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

24.4 Other reserve

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

24.5 Foreign currency translation reserves

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

25. NON-CONTROLLING INTERESTS

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

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

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

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

	2023	2022
For the year ended March 31		
Revenue	**370,243**	303,265
Expenses	**(360,030)**	(290,739)
Profit for the year	**10,213**	12,526
Profit for the year attributable to:		
Owners of Mlekoma Sp. z o.o.	**7,660**	9,394
Non-controlling interests	**2,553**	3,132
	10,213	12,526
Total comprehensive income attributable to:		
Owners of Mlekoma Sp. z o.o.	**7,660**	9,394
Non-controlling interests	**2,553**	3,132
	10,213	12,526
Summarized cash flows		
For the year ended March 31		
Cash flows from operating activities	**(6,543)**	6,372
Cash flows from investing activities	**(1,884)**	(1,483)
Cash flows from financing activities	**(188)**	(2,329)
Net increase in cash and cash equivalents	**(8,615)**	2,560

(All amounts in Saudi Riyals thousands unless otherwise stated)

26. ZAKAT AND INCOME TAX

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

26.1 Charge for the year

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

	2023	2022
Zakat charge	**25,433**	22,609
Income tax	**3,220**	2,613
	28,653	25,222

26.2 Accrued zakat and income tax

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

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

Zakat charge is based on the following:

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

26. ZAKAT AND INCOME TAX (continued)

26.3 Status of assessments

Zakat assessments for the years up to year ended March 31, 2020, have been finalized with the Zakat, Tax and Customs Authority (ZATCA).

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

27. TRADE AND OTHER PAYABLES

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

	2023	2022
Trade payables	**164,308**	179,807
Other payables	**22,757**	11,694
	187,065	191,501

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

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

28. ACCRUED EXPENSES AND OTHER LIABILITIES

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

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

29. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions were undertaken in the ordinary course of business at commercially agreed terms and were approved by the management. For the purpose of these consolidated financial statements, related parties are identified as affiliates of the Group include entities which are subsidiaries including subsidiaries and associates of KIPCO Group and key management personnel.

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

a) Due to related parties:

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

(*) These transactions represent the insurance expense.

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

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

Compensation of key management personnel of the Group

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

30. SEGMENT INFORMATION

30.1 Operating segment

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and are managed separately because they require different marketing strategies. The Group's Board of Directors and Chief Executive Officer monitor the results of the Group's operations for the purpose of making decisions about resource allocation and performance assessment. They are collectively the chief operating decision makers (CODM) for the Group.

Segment results that are reported to CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

For each of the strategic business units, the CODM reviews internal management reports on at least a quarterly basis. No operating segments have been aggregated to form the above reportable operating segments.

The drinks segment represents milk and juice products, while non–drinks represent ice creams, tomato paste, cheese and snacks.

The following table presents segment information for the year ended March 31:

	Drinks	Non- drinks	Unallocated	Total
For the year ended March 31, 2023				
Segment profit or loss				
Segment revenue	**1,600,762**	**1,221,045**	--	**2,821,807**
Inter-segment revenue	**47,698**	**126,096**	--	**173,794**
Revenue from external customers	**1,553,064**	**1,094,949**	--	**2,648,013**
Profit before zakat and income tax	**217,636**	**91,562**	**29,919**	**339,117**
Depreciation and amortization	**(80,608)**	**(39,420)**	--	**(120,028)**
Finance income	--	--	**18,499**	**18,499**
Finance cost	**(2,058)**	**(40,150)**	**(7,793)**	**(50,001)**
Share of loss of equity accounted investee	--	**392**	--	**392**
Reversal of impairment loss on trade receivables	--	--	**11,419**	**11,419**
As at March 31, 2023				
Segment assets				
Property, plant and equipment	**631,164**	**294,915**	--	**926,079**
Right-of-use assets	**51,662**	**11,017**	--	**62,679**
Intangible assets	--	**15,753**	--	**15,753**
Other non-current assets	--	**5,165**	--	**5,165**
Equity accounted investee	--	--	**539**	**539**
Long term investment	--	--	**38,258**	**38,258**
Current assets	**62,234**	**133,459**	**1,240,017**	**1,435,710**
Total assets	**745,060**	**460,309**	**1,278,814**	**2,484,183**
Segment liabilities				
Current liabilities	**9,240**	**138,446**	**469,165**	**616,851**
Lease liabilities – non- current portion	**42,982**	**8,665**	--	**51,647**
Employee benefit obligations	--	**271**	**139,867**	**140,138**
Total liabilities	**52,222**	**147,382**	**609,032**	**808,636**

(All amounts in Saudi Riyals thousands unless otherwise stated)

30. SEGMENT INFORMATION (continued)

30.1 Operating segment (continued)

	Drinks	Non- drinks	Unallocated	Total
For the year ended March 31, 2022				
Segment profit or loss				
Segment revenue	1,249,181	1,023,798	--	2,272,979
Inter-segment revenue	(29,358)	(73,294)	--	(102,652)
Revenue from external customers	1,219,823	950,504	--	2,170,327
Profit before zakat and income tax	125,690	108,372	212	234,274
Depreciation and amortization	(67,478)	(36,861)	--	(104,339)
Finance income	--	2,986	1,414	4,400
Finance cost	(2,131)	(5,179)	--	(7,310)
Share of profit of equity accounted investee	--	974	--	974
Impairment loss on trade receivables	--	--	(1,202)	(1,202)
As at March 31, 2022				
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	--	4,735	--	4,735
Equity accounted investee	--	921	--	921
Current assets	41,103	126,257	1,094,585	1,261,945
Total assets	725,780	466,055	1,094,585	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 – non- current portion	46,500	9,607	--	56,107
Employee benefit obligations	--	280	127,865	128,145
Total liabilities	54,824	73,634	596,608	725,066

The management has categorised its geographical operations as follows:

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

31. EMPLOYEE BENEFIT OBLIGATIONS

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

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

i) Movement in defined benefit liability

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

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

ii) Actuarial assumptions

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

	2023	2022
Discount rate %	**4.57%**	3.04%
Future salary growth %	**6.57%**	3.04%
Retirement age	**60 years**	60 years

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

31. EMPLOYEES BENEFIT OBLIGATIONS (continued)

iii) Sensitivity analysis

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

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

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

32. FINANCIAL INSTRUMENTS

32.1 Financial assets

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

32. FINANCIAL INSTRUMENTS (continued)

32.2 Financial liabilities

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

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

32.3 Financial instruments carried at fair value

a) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

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

32. FINANCIAL INSTRUMENTS (continued)

32.3 Financial instruments carried at fair value (continued)

c) Valuation process

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

At each financial year-end, the finance department:

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

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

32. FINANCIAL INSTRUMENTS (continued)

32.3 Financial instruments carried at fair value (continued)

d) Derivative financial instruments

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

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

				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, 2023	--	--	--	--	--	--
As at March 31, 2022	1,136	1,647	80,552	35,770	44,782	--

33. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVE AND POLICIES

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

Risk management framework

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

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

Market risk

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

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

i) Interest rate risk

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

ii) Currency risk

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

Market risk (continued)

ii) Currency risk (continued)

Following is the exposure classified into separate foreign currencies:

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

Sensitivity analysis

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

iii) Price risk

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

Credit risk

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

Credit risk (continued)

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

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

a) Trade receivables

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

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

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

Credit risk (continued)

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

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

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

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

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

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

March 31, 2023	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**
Current (not past due)	**0.03% - 0.26%**	**272,790**	**202**
1–90 days past due	**1.03% - 4.17%**	**11,696**	**144**
90–180 days past due	**4.53% - 16.51%**	**487**	**45**
180+ days past due	**66.28% - 100%**	**3,648**	**2,418**
Specific provision	**100%**	**24,962**	**24,962**
	12.66%	**313,583**	**27,771**

March 31, 2022	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.21% - 1.01%	224,565	627
1–90 days past due	0.20% - 1.08%	8,345	15
90–180 days past due	2.98% - 18.88%	1,053	45
180+ days past due	52.39% - 100%	9,783	9,405
Specific provision	100%	29,098	29,098
	14.36%	272,844	39,190

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

Credit risk (continued)

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

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

b) Cash and cash equivalents and investments

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

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

c) Other receivables

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

Liquidity risk

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

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

Liquidity risk (continued)

Excessive risk concentration:

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

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

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

March 31, 2023	**Carrying amount**	**On demand**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Trade and other payables	**187,065**	--	**187,065**	--	--	**187,065**
Accruals and other liabilities	**298,454**	--	**298,454**	--	--	**298,454**
Dividend payables	**3,595**	**3,595**	--	--	--	**3,595**
Due to related parties	**3,391**	--	**3,391**	--	--	**3,391**
Non-controlling interest put option	**65,613**	--	**65,163**	--	--	**65,163**
Lease liabilities	**63,944**	--	**15,379**	**28,979**	**43,855**	**88,213**
	622,062	**3,595**	**569,452**	**28,979**	**43,855**	**645,881**

March 31, 2022	Carrying amount	On demand	Less than 1 year	1 to 5 years	More than 5 years	Total
Trade and other payables	191,501	--	191,501	--	--	191,501
Accruals and other liabilities	272,244	--	272,244	--	--	272,244
Dividend payables	3,176	3,176	--	--	--	3,176
Due to related parties	1,403	--	1,403	--	--	1,403
Non-controlling interest put option	26,979	--	--	26,979	--	26,979
Lease liabilities	66,633	--	16,061	26,255	50,252	92,568
	561,936	3,176	481,209	53,234	50,252	587,871

(All amounts in Saudi Riyals thousands unless otherwise stated)

34. CAPITAL MANAGEMENT

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

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

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

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

35. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

(All amounts in Saudi Riyals thousands unless otherwise stated)

35. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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

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

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

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The fair values of financial instruments are not materially different from their carrying values.

	Level 1	**Level 2**	**Level 3**	**Total**
March 31, 2023				
Long term investment	**38,483**	--	--	**38,483**
Non-controlling interest put option	--	**65,163**	--	**65,163**
March 31, 2022				
Non-controlling interest put option	--	--	24,229	24,229

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

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

(All amounts in Saudi Riyals thousands unless otherwise stated)

35. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

March 31, 2023	**Carrying amount**			
Description:	**Amortised cost**	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Total**
Financial assets not measured at fair value				
Long term investment	**38,258**	--	--	**38,258**
Trade receivables	**285,812**	--	--	**285,812**
Short term investment	**394,520**	--	--	**394,520**
Cash and cash equivalents	**290,299**	--	--	**290,299**
Other receivables	**5,038**	--	--	**5,038**
Financial liabilities measured at fair value				
Non-controlling put option	--	**65,163**	--	**65,163**
Financial liabilities not measured at fair value				
Accrued expenses and other liabilities	**298,454**	--	--	**298,454**
Trade and other payables	**187,065**	--	--	**187,065**
Lease liabilities	**63,944**	--	--	**63,944**
Dividend payables	**3,595**	--	--	**3,595**
Due to related parties	**3,391**	--	--	**3,391**

March 31, 2022	Carrying amount			
Description:	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Financial assets not measured at fair value				
Trade receivables	233,654	--	--	233,654
Cash and cash equivalents	625,962	--	--	625,962
Other receivables	4,433	--	--	4,433
Financial liabilities measured at fair value				
Non-controlling put option	--	24,229	--	24,229
Financial liabilities not measured at fair value				
Accrued expenses and other liabilities	272,244	--	--	272,244
Trade and other payables	191,501	--	--	191,501
Lease liabilities	66,633	--	--	66,633
Dividend payables	3,176	--	--	3,176
Due to related parties	1,403	--	--	1,403

36. DIVIDENDS

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

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

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

37. CONTINGENCIES, COMMITMENTS AND OTHER INFORMATION

37.1 Contingencies

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

37.2 Commitments and other information

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

38. SUBSEQUENT EVENTS

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

39. RECLASSIFICATION OF COMPARATIVE FIGURES

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

40. AUTHORIZATION OF FINANCIAL INFORMATION

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

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