SADAFCO سدافكو

Sustainably Nurture and Connect Generations with Goodness and Happiness

SAUDIA DAIRY & FOODSTUFF COMPANY

ANNUAL REPORT 2023*

** Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023*

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, Prime Minister
of the Kingdom of Saudi Arabia

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Financial Performance at a Glance

Revenue (Mln)

SAR **2,111.5** Mln

*2023	2,111.5
**2022	1,979.8

Growth **6.7%**

Earnings Per Share

SAR **10.24**

*2023	10.24
**2022	6.82

Gross Profit (Mln)

SAR **750.7** Mln

*2023	750.7
**2022	621.5

Growth **20.8%**

Gross Profit Margin (%)

35.6 %

*2023	35.6
**2022	31.4

EBITDA (Mln)

SAR **429.4** Mln

*2023	429.4
**2022	368.9

Growth **16.4%**

EBITDA Margin (%)

20.3 %

*2023	20.3
**2022	18.6

Net Profit (Mln)

SAR **325.0** Mln

*2023	325.0
**2022	220.7

Growth **47.2%**

Net Profit Margin (%)

15.4 %

*2023	15.4
**2022	11.1

Dividend Payout (Per Share)

SAR **12.0**

*2023	12.0
^2022-23	6.0

Free Operating Cash Flow (Mln)

SAR **554.7** Mln

*2023	554.7
**2022	209.4

Growth **164.9%**

** Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023*
*** Figures for corresponding Nine-Months in 2022 (1st April to 31st December 2022) for accurate comparison*
^2022-23 refers to April 2022-March 2023 period

Business Review

Market Share*

Milk UHT
Dec-23* **64.1%**
Dec-22: **62.0%**

Tomato Paste
Dec-23* **56.6%**
Dec-22: **54.2%**

Ice Cream
Dec-23* **31.6%**
Dec-22: **29.6%**

*As per Nielsen, value market share on MAT basis as of December 2023

Total Revenue

2023*
SAR 2,111 Mln

KSA
SAR 1,773 Mln

GCC except KSA
SAR 60 Mln

Poland
SAR 165 Mln

Other Countries
SAR 113 Mln

** Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023*

2,617
SADAFCO ended the year with a headcount (including outsourced personnel)

Key Non-Financial Metrics*

39% of Saudi **employees** in the workforce

24% **reduction** in average **COD level** in effluents

Achieved **94%** **recycling** rate in 2023

More than **35%** increase in **renewable energy** consumption

65% **reduction** in work related injuries

Decrease in energy intensity by about **5%**

Initiated assessment of **Supplier's ESG Commitments**

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

ISO 22000:2018	ISO 14001:2015	ISO 45000:2018	ISO 27001
(for Food Safety)	(for Environment)	(for Occupational Health & Safety)	(for Information Security Management Systems)

* *Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023*

SADAFCO Year at a Glance*

Quarter 1

- SADAFCO launched innovative Ice Cream products, thereby expanding the frozen division.
- SADAFCO signed an agreement to sell and export its products in the Sultanate of Oman. This new geographical expansion holds the potential for substantial growth opportunities in the region.

Quarter 2

- SADAFCO launched all-new Barista Milk to the market as part of an expansion of its beverage product line.
- SADAFCO announces change of the Fiscal Year from March end to December end.

Quarter 3

- SADAFCO receives prestigious recognition in the inaugural 2023 edition of Fortune 500 Arabia, highlighting its impactful contribution to the economy.
- SADAFCO earns recognition as a "Great Place to Work", affirming its commitment to positive workplace environment.
- SADAFCO completed the non-dairy range by launching Coconut and Almond drinks.
- SADAFCO launched innovative products under SAUDIA by Mezete, featuring a 100% natural and preservative-free selection and expanding the culinary division.
- SADAFCO launched the first electric Ice Cream truck in KSA and Middle East in cooperation with NTSC, aiming to advance sustainability in the foodstuff transportation sector.
- Successfully completed the construction of a new Depot in Makkah.
- Commenced work on New Depot in Yanbu.

* *Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023*

01

Strategic and Management Review

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
- Passion
- Lead & Learn
- Integrity
- Excellence

Purpose

Sustainably Nurture and Connect Generations with Goodness and Happiness

Message from the Chairman

In 2023 (9 Months period), our company achieved impressive sales of SAR 2.1 Bln, generating a net profit of SAR 325 Mln.

On behalf of the Board of Directors of Saudia Dairy & Foodstuff Company (SADAFCO), it is with great pleasure that I present to you the Annual Report for the nine-month period ending 31st December 2023. This document provides a detailed overview of SADAFCO's journey in this period, Strategic & Management decisions, Auditor's Report, Business Performance and Financial Statements.

The Kingdom of Saudi Arabia guided by Kingdom's Vision 2030 has continued to grow and progress. Likewise, SADAFCO demonstrated exceptional agility with a commitment to delivering excellence. Our innovative approach across products and strategies allowed us to meet evolving demands, sustaining growth momentum and solidifying our market position.

Guided by our mission to Delight Consumers, Accelerate Profitable Growth, and Create Value for all stakeholders, we have invested in enhancing capabilities throughout the entire value chain, covering procurement, manufacturing, sales and distribution.

In 2023 (9 Months period), our company achieved impressive sales of SAR 2,111 Mln, generating a net profit of SAR 325 Mln. We have achieved a revenue growth of 6.7% compared to the same period previous year. We were able to effectively manage our business costs, keeping them at the same level as the previous year highlights our efficient management practices. Consequently, our earnings per share rose remarkably to SAR 10.24, driven by a notable net profit increase of SAR 104 Mln, registering an impressive growth of 47.2%. We attribute this success to our unwavering dedication, strategic decision-making, and ability to adapt to the ever-changing business landscape.

To reward our esteemed shareholders, the company doubled its dividend payout to SAR 12/ share for the Short Financial Year 2023.

To usher in a new era of responsible nutrition for our consumers. Our R&D is creating offerings boosted by the goodness of mindful ingredients and functional benefits. We are also harnessing emerging data and digital capabilities to rapidly translate insights into products personalized for today's changing preferences - nourishing current and future generations.

Sustainability remains an integral focus shaping all aspects of operations and product development. We are implementing solutions to further reduce environmental impact across our facilities, fleet, and supply chain. The Saudia Falcons program, in collaboration with the Saudi Human Resources Development Fund, exemplifies our commitment to providing tangible work experiences for Saudi citizens. Demonstrating our commitment to sustainable practices, we have transitioned to 100% solar power at our Jeddah and Riyadh warehouses.

These pillars of health, innovation, and sustainability remain central to our strategic vision. Rooted in the core values of Trust, Respect, Integrity, Passion, Lead & Learn, and Excellence, our organizational character remains resilient as we navigate the uncertainties of the upcoming year.

Saudi Arabia is charting a more open, vibrant and sustainable future for its people. The expansion of the entertainment, tourism and logistics sectors signals the Kingdom's readiness to welcome the world. We commend the visionary path charted by the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud and HRH Crown Prince Mohammed bin Salman towards a progressive Saudi Arabia as envisaged in Vision 2030.

I extend heartfelt thanks to our esteemed Board, shareholders, management team, and dedicated employees for their unwavering commitment and perseverance in transforming SADAFCO even during challenging times. Together, we renew our pledge to uphold the highest standards of quality, efficiency, and consumer centricity as we embark on our journey of progress.

Sheikh Hamad Sabah Al Ahmad Al Sabah
Chairman Board of Directors

Message from the Chief Executive Officer

I am delighted to share another period of strong financial performance where our sales increased by 6.7%, Operating Profit by 21.2% and Net Profit by 47.2%. These positive numbers have resulted in Earnings Per Share (EPS) of a robust SAR 10.24 compared to SAR 6.82 for the same period last year.

SADAFCO in 2023 transitioned from March to December year end for financial reporting purposes hence our results for this year are for nine months (1st April to 31st December 2023).

With our purpose of Sustainably Nurturing and Connecting Generations with Goodness and Happiness and our mission to Delight Consumers, to Accelerate Profitable Growth and to Create Value for all Stakeholders, we are consistently achieving strong financial performance and improved market shares. We enhanced our market leadership in Milk (64.1%), Tomato Paste (56.6%), and Ice Cream (31.6%) through strategic focus on following growth drivers.

- People, Organisation and Capabilities
- Profitable portfolio & innovations
- Making our product available, everywhere, whenever and create pull in the market
- Digitalisation

Each of these growth drivers is covered in subsequent pages in the departmental reports.

HIGHLIGHTS FOR 2023

- During 2023 we launched a more contemporary SAUDIA logo which depicts our strong brand heritage yet subtly captures our focus on the future.
- Our cultural change journey is in full swing. We are inculcating our values of "Trust, Respect, Integrity, Passion, Lead & Learn, Excellence" and working towards these, leading to the results we have seen.
- Recognizing the evolving landscape of consumer demands, we eagerly anticipate the potential within the Plant-Based Dairy Alternatives category, expanding our offerings with new flavors: Almond and Coconut Plant-Based Drinks, capitalizing on the category's growth potential.
- Aligned with strategic goals, we are set to launch numerous Frozen category products by 1HFY24. Expanding into Ambient category, we are introducing new offerings in Flavored Milk, Culinary, and Out-of-Home segments, driving continuous innovation.
- SADAFCO is strengthening its GCC presence with sales and export deals in Oman and UAE, while expanding footprint in KSA with Makkah depot completed and Yanbu depot construction underway.
- In collaboration with NTSC, we launched Middle East's first electric Ice Cream truck, advancing fleet decarbonization efforts. Celebrating diversity, we trained and licensed the first female forklift operators at our Dammam Factory.
- SADAFCO has embarked on digital transformation, enhancing its Route-to-Market strategy through advanced Retail Intelligence.
- Our strategic focus on E-commerce and Out-of-Home distribution channels has yielded positive results.

Towards the end of 2023 we are faced with geopolitical challenges which could result in supply chain disruptions. As of now we have not been impacted significantly, due to our robust and forward looking planning.

SADAFCO proudly joins Fortune 500 Arabia 2023, affirming regional contributions. Also, ranked among SIRI's top 10 advanced factories (until August 2023), highlighting commitment to excellence. Recognized by LinkedIn for talent investment, acknowledged as a Great Place To Work, we are dedicated to fostering a positive workplace culture.

The Management Team extends heartfelt gratitude to the esteemed Board of Directors, our committed staff, valued suppliers, and our cherished consumers for their invaluable support. Moving forward, we aim to achieve ambitious 2024 strategic objectives through collective dedication.

Patrick Stillhart
Chief Executive Officer

Sustainably Nurture and Connect Generations with Goodness and Happiness

Embracing a mission of delighting consumers, accelerating profitable growth, adding value to all stakeholders.

During this period, SADAFCO made significant strides in prioritizing health and innovation, introducing two new non-dairy alternatives—coconut and almond drinks—to its product line, alongside its existing oat and soy offerings. The unveiling of the Saudia by Mezete Range Products further underscored the company's dedication to providing consumers with natural and preservative-free options, reflecting a holistic approach to culinary excellence. With a focus on elevating nutritional value, SADAFCO continued to expand its product range through rigorous research and development efforts, paving the way for forthcoming launches.

This commitment to innovation was exemplified by the addition of 21 new SKUs, enhancing customer experiences across various categories. Notably, the introduction of six new SKUs in the Ice Cream category, including "Baboo Ice Cream Stick" and "Sensations Stick-Double Chocolate Caramel," catered to Ice Cream enthusiasts. The Milk category saw the addition of "Barista Milk (Full Fat & Low Fat)" and "Double Chocolate Milk," catering to diverse preferences. Additionally, the Mezete range added 6 new SKUs, offering a delightful array of flavors to enhance customers' culinary experiences, complemented by the introduction of Croquettes and Spicy Wedges.

Sustainability is at the core of SADAFCO's ethos and operations. Notably, it pioneered the first electric Ice Cream truck in KSA and the Middle East, in collaboration with NTSC, advancing sustainability in foodstuff transportation. Moreover, the company's proactive educational outreach has reached over 1.4 million students across 1900+ schools, emphasizing health and nutrition. Complementing these efforts, the company has developed a comprehensive Environmental Policy and is currently engaged in the process of obtaining certification for ISO 37000:2021 underscoring its dedication to governance standards.

As SADAFCO continues to champion sustainability, innovation, and health, it reaffirms its commitment to shaping a brighter and more sustainable future for all.

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 2.1 Bln in SFY 2023, reflecting a YoY increase of 7%. 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 2.8 Bln, registering growth of 14% over last year. The total shareholder equity of the Company stands at SAR 1.9 Bln, an increase of 14% over previous year. As of 31st December 2023, SADAFCO's market capitalization was 10.7 Bln vs. SAR 7.0 Bln on 31st December 2022.

* Figures for corresponding Nine-Months in 2022 (1st April to 31st December 2022) for accurate comparison

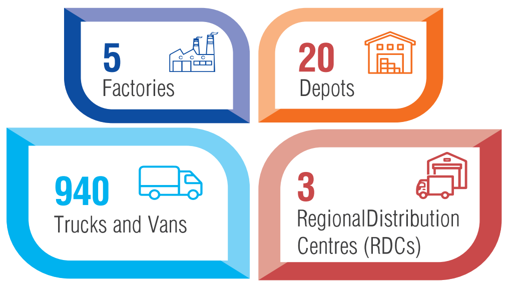
Main Activities of the Company

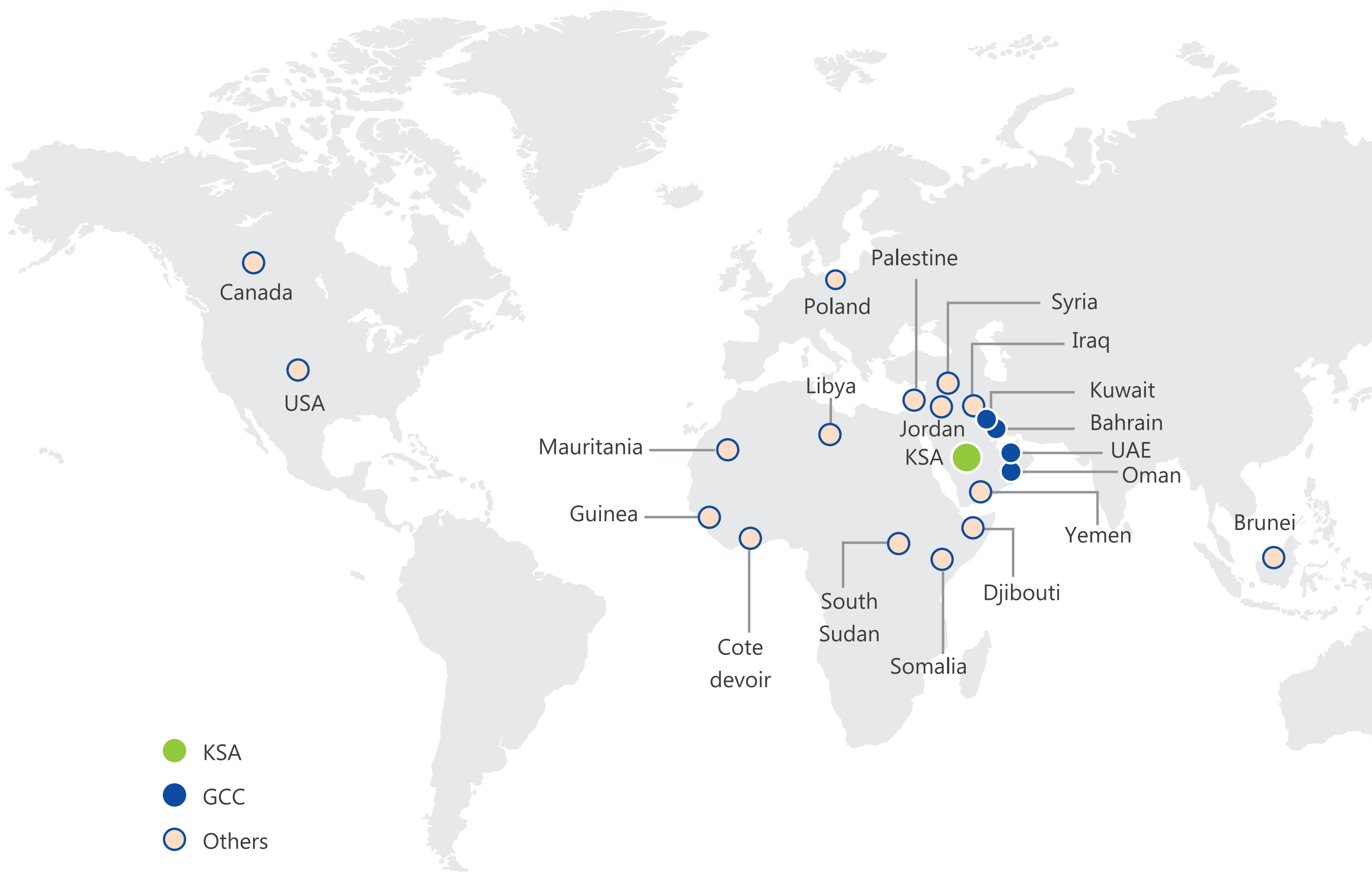
SADAFCO is a leading, world-class, Saudi Arabia-based company whose activities include local production, importation, distribution and marketing of a wide range of food and beverage products. The portfolio includes Dairy Products, Ice Cream, Tomato Paste, Snacks, Drinks and other foodstuff items.

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 the 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.





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.

Cheese

SADAFCO launched cheese product line in 1991. Its range of products includes 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 consists of two well-known formats: Crispy Rings and Letters, each of these are offered in individual and family size.

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 a 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.

Others

SADAFCO also offers range of other products including, French Fries, Mayonnaise etc. Most of these products are sold under 'SAUDIA' brand. SADAFCO launched 'SAUDIA by Mezete' range expanding its culinary division. 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.

Key Performance Indicators

SADAFCO aims to optimize operations to achieve faster growth in operational profit, thereby enhancing net profit margins and simultaneously investing in S&D channels to drive growth and expand market presence.

During the Short Financial Year ended on 31st December 2023, a record Net Profit of SAR 325 Mln versus SAR 221 Mln last year has been achieved. This represents a healthy net margin of 15.4% of sales compared to 11.1% last year. This robust return has arisen from:

Sales increased by SAR 132 Mln, 6.7% higher than last year, across all major categories and channels. This growth was observed in both volume and value terms, indicating a broad-based expansion in our business.

Higher Gross margin of 35.6% vs 31.4 % achieved due to lower cost of raw materials, profitable channel/category focus, and production efficiencies in the factories.

Selling & Distribution (S&D) expenses as % of sales increased to 14.4% vs 12.8% last year. In value terms, S&D Expenses increased by 20.2% driven by increased advertising activities, to support innovation launches and invest behind brand building activities.

General and administration expenses were effectively managed this year, decreasing as a percentage of sales from 4.5% to 4.3%.

Finance income of SAR 32.7 Mln represents significant increase over last year due to higher Murabaha deposit rates.

Construction of the New Makkah Depot has completed and is now operational as of year-end, while civil work on new Yanbu Depot project (SAR 20 Mln) has commenced for completion this year.

We continue to generate positive cash flows. Our cash position is SAR 1,023 Mln (including short term investments of SAR 674 Mln i.e., Murabaha deposits more than 3 months).

SADAFCO doubles its dividend to SAR 12 per share for the Short Financial Year 2023, affirming its commitment to enhancing shareholder returns while maintaining sufficient liquidity and capital structure strength.

Shareholders' equity landed at a healthy 1.9 Bln vs 1.7 Bln on 31st December 2022.

During the period ended December 31, 2023, the put option was exercised by Mlekoma's noncontrolling interest (NCI) holders . The total outflow in respect of acquisition of NCI amounts to SAR 88.96 million. We are positive that profitability of our Poland operations will improve in the new year as the unfavorable market conditions are gradually reversing. As a step to make Poland's operations more efficient we have subsequent to year end sold a 49% owned subsidiary which did not contribute materially for SAR 1.2 Mln.

Our market shares as at 31 December 2023, remain dominant with positive trending lines compared to shares reported in (December 2022): Milk 64.1% (62.0%), Tomato Paste 56.6% (54.2%) and Ice Cream 31.6% (29.6%).

We continue to delight our consumers through new offerings. Our innovations' contribution to total sales was 7%. In this quarter, launches in non-dairy alternatives were Coconut & Almond. In the culinary range, Hummus, Tahini and Koshna were launched.

Business Results Comparison (SAR Mln)

Details	SFY2023**	2022-23*	2021-22*	2020-21*	2019-20*	2018-19*
Revenue	**2,111**	2,648	2,170	2,105	2,056	1,813
Cost of Revenue	**-1,361**	-1,825	-1,513	-1,411	-1,367	-1,233
Gross Profit	**751**	823	657	694	689	580
Net Profit	**325**	310	209	261	265	216

** Financial Years from 1st April to 31st March - 12-month period (before changing the fiscal year and adopting the Fair Value Model).*

*** Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023*

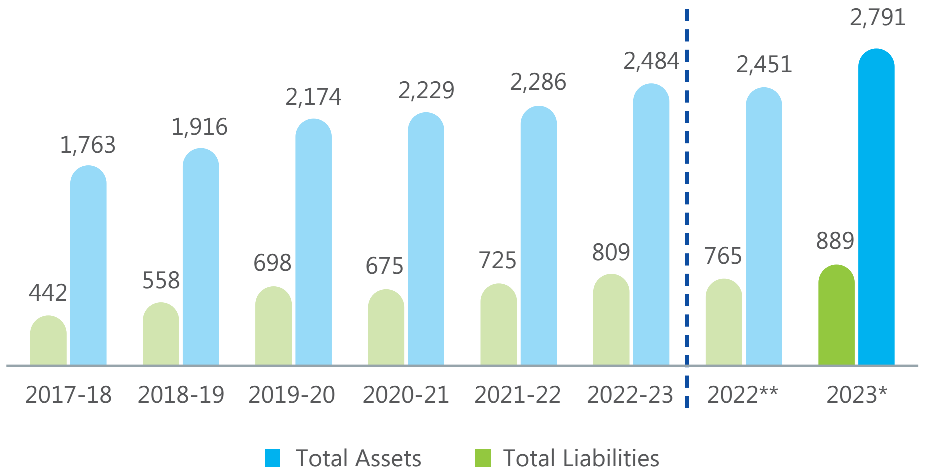
Assets & Liabilities Comparison (SAR Mln)

Details	SFY2023**	2022-23*	2021-22*	2020-21*	2019-20*	2018-19*
Current Assets	**1,781**	1,436	1,262	1,278	1,273	1,095
Non-current Assets	**1,010**	1,048	1,024	951	901	821
Total Assets	**2,791**	**2,484**	**2,286**	**2,229**	**2,174**	**1,916**
Current Liabilities	**685**	617	517	474	498	420
Non-current Liabilities	**205**	192	208	201	200	138
Total Liabilities	**889**	**809**	**725**	**675**	**698**	**558**

** Financial Years from 1st April to 31st March - 12-month period (before changing the fiscal year and adopting the Fair Value Model).*

*** Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023*

Total Assets & Total Liabilities (SAR Mln)



** Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023*

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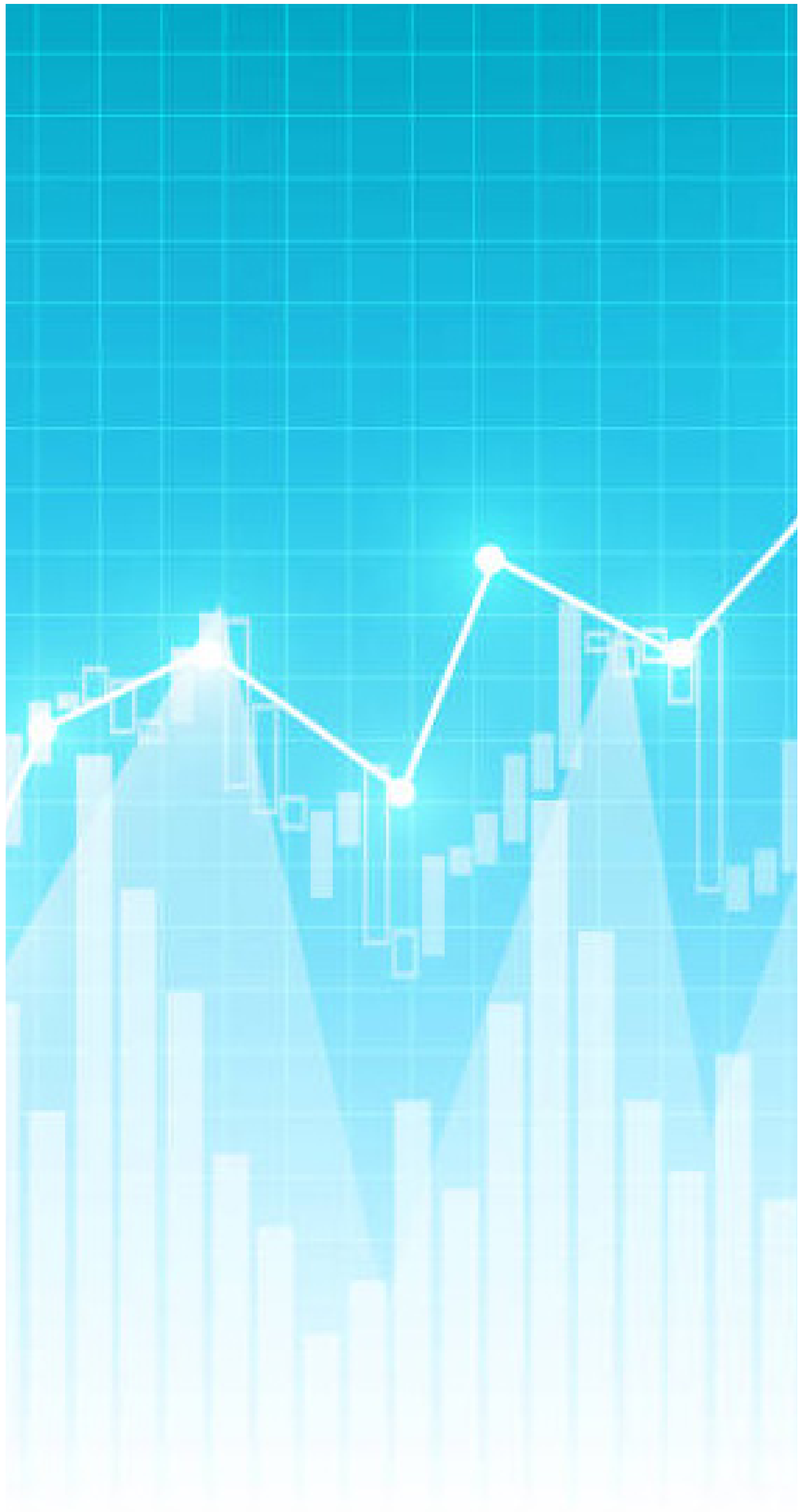


Operational Results and Major Changes (SAR Mln)

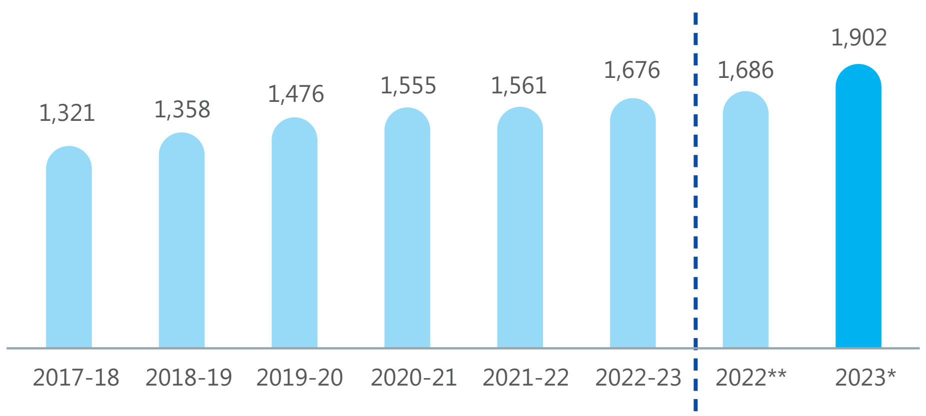
Details	2023*	2022*	Changes (+) or (-)	% of Changes	2021*
Revenue	**2,111**	1,980	131	6.6%	1,542
Cost of Revenue	**-1,361**	-1,358	-3	-0.1%	-1,070
Gross Profit	**751**	**621**	**130**	**21%**	**472**
Operational Expenses	**-411**	-342	-69	-20%	-307
Operational Profit	**339**	**280**	**59**	**21%**	**165**

** Figures for corresponding Nine-Month period (1st April to 31st December) for accurate comparison*

Statutory Payments during the short fiscal year ended on 31st December 2023 (SAR '000)

	Description	Due	Paid	Balance
1	Customs	21,307	21,307	-
2	Zakat	24,642	24,642	-
3	GOSI	19,655	19,655	-
4	Tadawul Contract	544	544	-
5	Government Fees & Visas	12,865	12,865	-
5	Value Added Tax + Excise Duty + Withholding Tax	195,992	195,992	-
	Total	**275,005**	**275,005**	**-**

Change in Total Shareholders' Equity (SAR Mln)



** Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023*

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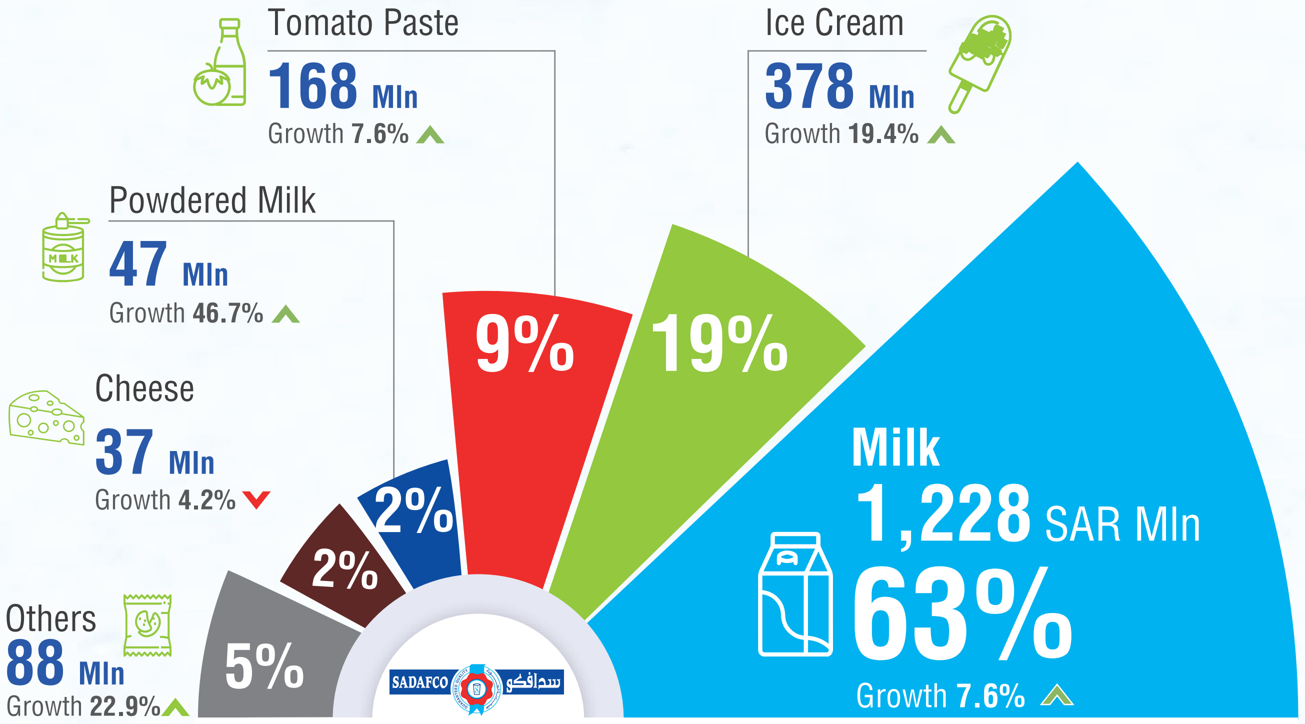
Performance of the Company

Business Results Comparison (SAR Mln)*



Total **1,946** | Growth **10.8%**

Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023

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

Financial Year	KSA	GCC	Other Countries	Poland	Total Revenue
SFY2023**	1,773	60	113	165	**2,111**
FY 2022-23*	2,194	64	114	276	**2,648**
FY 2021-22*	1,786	56	79	249	**2,170**
FY 2020-21*	1,811	64	71	159	**2,105**
FY 2019-20*	1,752	58	48	198	**2,056**
FY2018-19*	1,567	58	42	146	**1,813**

** Financial Years from 1st April to 31st March - 12-month period (before changing the fiscal year and adopting the Fair Value Model).*

*** Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023*

Sales Contribution by Product Category*

Description	Contribution (%) 2023*	Contribution (%) 2022*	% Point Change
Milk	63	65	-2
Ice Cream	19	18	1
Tomato Paste	9	9	0
Powdered Milk	2	2	1
Cheese	2	2	0
Others	5	4	0
Total	**100**	**100**	**0**

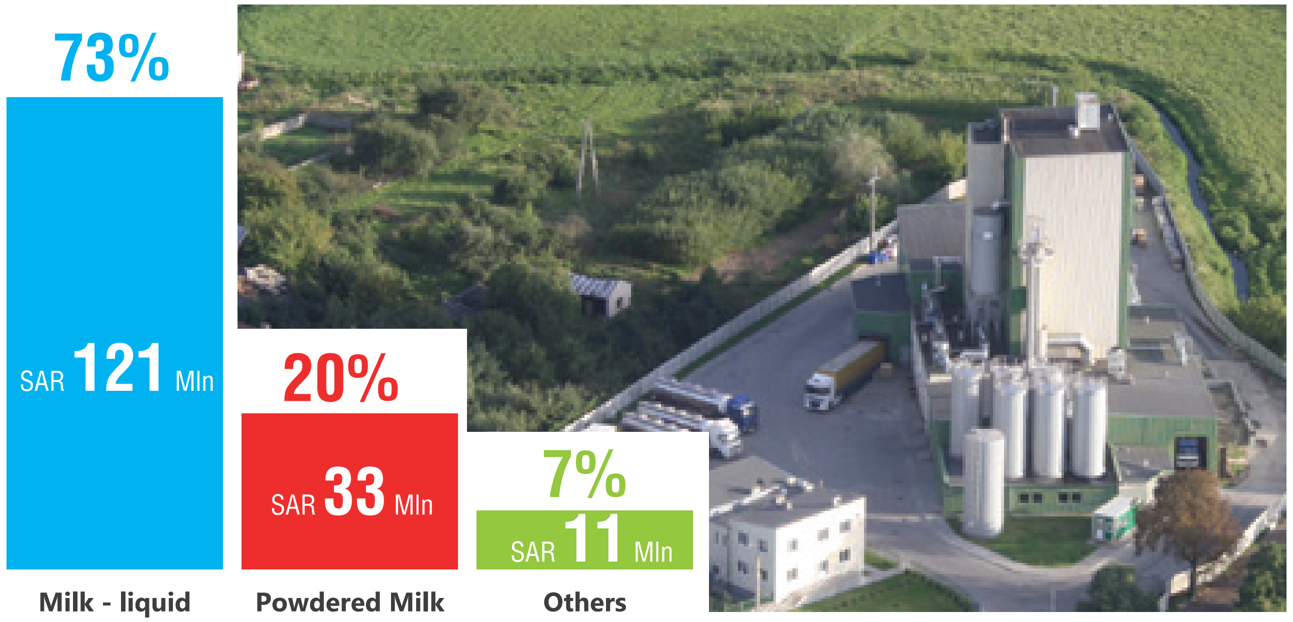
** Figures for corresponding Nine-Months in 2022 (1st April to 31st December 2022) for accurate comparison*

Performance of Subsidiary Companies

SADAFCO POLAND

Activity Revenue
SAR 165 Mln

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 raw materials in Europe and MENA.



* Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023

SADAFCO SUBSIDIARY COMPANIES' REVENUE (Including SADAFCO Poland)

Activity Revenue	Milk - Liquid	Milk	Ice Cream	Tomato Paste	Cheese	Powdered Milk	Others	Total
(SAR Mln)	165	64	13	11	11	6	3	**274**
(Percentage)	60%	23%	5%	4%	4%	2%	1%	**100%**

Exclude export sales

* Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023

REVENUE GEOGRAPHICAL ANALYSIS FOR SUBSIDIARIES (SAR Mln)

	GCC	Other Countries	Poland	Total Revenue
SFY2023**	60	113	165	**338**
FY 2022-23*	64	114	276	**454**
FY 2021-22*	56	79	249	**384**
FY 2020-21*	64	71	159	**294**
FY 2019-20*	58	48	198	**304**
FY2018-19*	58	42	146	**246**

Includes export sales

* Financial Years from 1st April to 31st March - 12-month period (before changing the fiscal year and adopting the Fair Value Model).
** Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023

SALES FOR SADAFCO AND SUBSIDIARIES BY LOCATION

Country	Sales 2023* (SAR Mln)	Percentage (%)	Sales 2022** (SAR Mln)	Percentage (%)
Saudi Arabia	1,773	84%	1,629	82%
Poland	165	8%	223	11%
Jordan	48	2%	37	2%
Bahrain	39	2%	35	2%
Kuwait	21	1%	11	1%
Qatar	0	0%	0	0%
Export	65	3%	44	2%
Total	**2,111**	**100%**	**1,979**	**100%**

* Short 2023 Financial Year: Nine-Month from 1st April to 31st December 2023
** Figures for corresponding Nine-Months in 2022 (1st April to 31st December 2022) for accurate comparison

Supply Chain

During 2023 several significant improvements have been materialized in the SADAFCO Supply Chain. Our clear focus and prioritization on Safety, Environment, Quality, Service and Efficiency did result in a strong contribution towards the SADAFCO top and bottom-line growth.

SAFETY, HEALTH & ENVIRONMENT

Compared to 2022 our work environment did improve further and the number of Lost-Time Incidents in our organisation did reduce by 50% in 2023. Our belief that every accident can be prevented puts a lot of attention on increasing the overall Safety Awareness level, Safety training hours (+45%) and reporting of near-misses. Each near miss is a learning opportunity and trigger for action to reduce the risks of a real accident to happen. The recycle rate of our factories did steadily run above target at a level of 94%. By installing a proper collection system and segregation of the different sources of waste (e.g. paper, plastic, etc) the previous financial loss and costs on waste disposal are converted into a more sustainable approach and even a profit. **Our certificates and licenses ISO 14001:2015 (Environment) and ISO 45000:2018 (Occupational Health & Safety) have been extended.**

QUALITY

Our certificates and licenses for ISO 22000:2018 (Food Safety), Halal and Organic have been extended. The related audits in our factories and warehouses have been successfully passed and the few remarks for improvement are implemented. The total number of customer and consumer complaints did reduce significantly in 2023 versus the previous year. Especially the quality improvements implemented in the Ice Cream factory did bring the number of complaints for this product category down by a factor 10 (from 4.8 to 0.8 complaints per 10 million consumer units).

PLANNING

The implementation of our new End-to-End Planning process and software tools did elevate our service levels and product availability to the market, reduced our overall inventory and further improved the capacity utilization. By using advanced methods for statistical sales forecasting the main input for the monthly S&OP process improved. This new S&OP process and planning software tool supports the different functions (Sales, Marketing, Supply Chain and Finance) in proper performance tracking, scenario analysis and decision making. Next to the S&OP process this software does also support the Distribution Planners to allocate the product stock across the depots and countries in the most optimal way.

SOURCING

Especially during the last days of the year our Procurement Team took immediate action to start mitigating the container shipment disruption on the Red Sea. Whilst the most time and effort in 2023 has been spend on generating savings on all Raw Materials, Packaging Materials, Ingredients and Services we did shift the focus towards supply security at the end of 2023. Thanks to our risk mitigating actions in 2023 to install for our most critical items at least a dual sourcing strategy, this did not only help to bring cost down but also significantly improved our supply security. The global economy and commodity markets like Milk powder, AMF and Tomato Paste continue to show turbulence and thanks to our long, mid-term and short-term buying strategy we did capture the required quantities at the right moment whilst materializing competitive advantages. On Indirect Materials and Services, we did install a centralized Procurement approach and governance. This more professional and centralized approach on purchasing for example transportation, outsourced labour and many other services did significantly contribute to the overall procurement related savings (estimated at SAR 45 Mln).

MANUFACTURING

Our three plants located in the KSA performed very well in 2023 and did produce all required products needed to supply our markets according to our high-quality standards. All main KPI's (e.g. OEE, output per manhour, waste percentages, water usage, etc) did show an improvement in 2023 versus the previous year 2022. Below a short summary of the highlights per factory.

JEDDAH MILK FACTORY

In the summer months a successful upgrade of the CIP (Cleaning In Place) system has been realized. This upgrade does secure an advanced and secure cleaning of our processing equipment whilst optimizing the use of water and chemicals. This upgrade and the implementation of many other water saving initiatives did lead to a significant reduction on water consumption by 0.22 Liter of water used per Liter of product produced. Our Digital Factory project will first and mainly focus on the digitalisation of our Manufacturing and Quality system that controls the Milk Factory. The requirements for this project have been finalized and two potential suppliers have been shortlisted. The implementation in 2024 will start with the Quality module to be followed by the MES system in 2025.

ICE CREAM FACTORY

The team of our Ice Cream factory deserves to be very proud on all the operational improvements realized. By applying World Class Manufacturing methodologies, the factory made a positive step change in its performance. Next to the already mentioned reduction of complaints, the waste percentages on raw material and packaging have been significantly reduced as well. To meet our continuous and strongly growing Ice Cream demand an order to purchase a new Sandwich line has been submitted. The new line will be installed in 2024 and operational by the end of that year.

DAMMAM FACTORY

The output of Tomato Paste, Snacks and Feta cheese products from the Dammam factory is solid and the factory did perform very strong in 2023. The OEE that does run at World Class levels did increase further to 86.4 %. The Dammam factory has been recognized and rated by the Smart Industry Readiness Index (SIRI) institute to be in the Top 10 factories for future factories.

LOGISTICS & WAREHOUSING

The network of our warehouses across the Kingdom has been upgraded further to meet our distribution requirements. Since December 2023 our new depot in Makkah is operational and this warehouse does have a double storage capacity (both frozen and ambient) compared to the old depot. In Yanbu the ground works, foundation, and construction of our new warehouse in ongoing and the depot is expected to be completed in Q3 of 2024. Our Central Frozen storage capacity in Jeddah, that is connected directly to the Ice Cream factory, has been expanded as well to facilitate our growth and stock build-up for the next and upcoming Ice Cream peak sales season.

The rectification process of our transport fleet has made significant progress and is in the finalization stage. The changing regulation and for example the recently implemented requirement to submit an electronic waybill, remains an important attention point to secure compliancy. By route optimization, driving trainings and investments in several new vehicles we realized significant savings on fuel consumption. By investing in our first electrical Frozen sales van, we are embarking further on our transition to a more sustainable fleet and carbon neutral company.

Commercial

Strong
Double Digit
growth in
Modern Retail

COMMERCIAL OPERATIONS

Over the year, we continued to strengthen the base of our Commercial Operations via

- Strong Joint business planning with top customers across all channels
- Relentless focus on improving efficiency via focusing our Sales force on the top 3-4 metrics to improve Productivity and Sales turnover
- Executing strong trade and channel programs to improve our shelf and display presence and
- 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 e-commerce 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.

AMBIENT

2023 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 2pp (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 Flavoured 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 108% growth in the category. Value market share grew more than 2pp (and more 6pp in volume) on MAT level.

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.

Human Resources

The year 2023 saw continued focus on employee development and engagement. This focus was due to the results of the employee engagement survey where we found these were the two major areas that needed to be addressed.

DEVELOPMENT

During last year, our People Experience department facilitated learning through various platforms. Various face-to-face training sessions were initiated in addition to online training and on the job training.

SALES ACADEMY

The academy has been activated and various training programs initiated for the sales team. As part of continuous improvement, all sales managers were enrolled in an evaluation program to help identify their skill gaps and areas for development. The results of this evaluation will help the sales academy better identify areas for improvement.

SUCCESSION PLANNING

Biannual meetings are scheduled for succession planning. Potential successors have been identified, and development plans have been created to help facilitate their growth and readiness for the potential role.

REWARDS

Annual salary review has been completed and payout was implemented. We are currently in the process of enhancing the annual salary review process to ensure efficiency and fairness of the process.

EMPLOYEE HEALTH & WELLBEING

Employee wellbeing will continue to be a key focus for the business. We participated in the corporate football match. This is a football tournament where various Jeddah companies competed. We continue to partially subsidize gym membership for all employees to encourage physical wellbeing. There was also a "Stress management" session that was conducted to help employees who are dealing with stress, their mental wellbeing.

ENGAGEMENT

The HR department activated many of the recreational rooms across KSA and insured that the employees were utilizing the facilities to encourage teamwork and engagement between all employees. The Executive team have visited various depos, to connect with employees across all sites. Visits in Ramadan were also planned, and the executive team got chance to have iftar with employees across all depots.

INTERNSHIP

The Saudia Falcons program has proved to be a great success. We have recruited a total of 19 falcons, out of which 4 have been given a full-time job. We have also been responsible for hiring interns, and coops providing them with the training they need to graduate from university.

Sustainability at SADAFCO

SADAFCO remains unwavering in its dedication to sustainability. Aligned with the overarching vision of **National Vision 2030**, our Sustainability initiatives create a positive impact on the environment, society, and economy. Throughout the year, we continue to make progress on our Environmental, Social, and Governance (ESG) commitments, navigating across the four pillars of sustainability.

Four Pillars

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

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

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

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

Progress on the Sustainability Pillars

Environment and Climate

1. SADAFCO steadily increases renewable energy usage, with consumption reaching 1474 MWh by Dec 2023, marking a significant rise from 2022.
2. Progressing towards a zero-emission fleet by 2045, SADAFCO collaborates with NTSC to install EV charging stations. The company launches the first Electric Ice Cream truck in KSA and the Middle East.
3. SADAFCO's water governance system is based on the ISO14001 principles.
4. Implementing water conservation measures, such as optimizing CIP systems and recycling filling lines water for condenser use.
5. Committed to achieving 100% recycling by 2030, with a 94% recycling rate in 2023.
6. Plans to reduce e-waste by repurposing end-of-life laptops for employee use.
7. Aim to eliminate plastic in all forms.
8. Continuously exploring reusable packaging options.
9. ESG expectation clauses to be added supplier code of conduct to stress the importance of ESG and to be signed by all new suppliers.
10. Assessing top 5 suppliers for ESG commitments, ensuring alignment with SADAFCO's sustainability goals.

People & Community

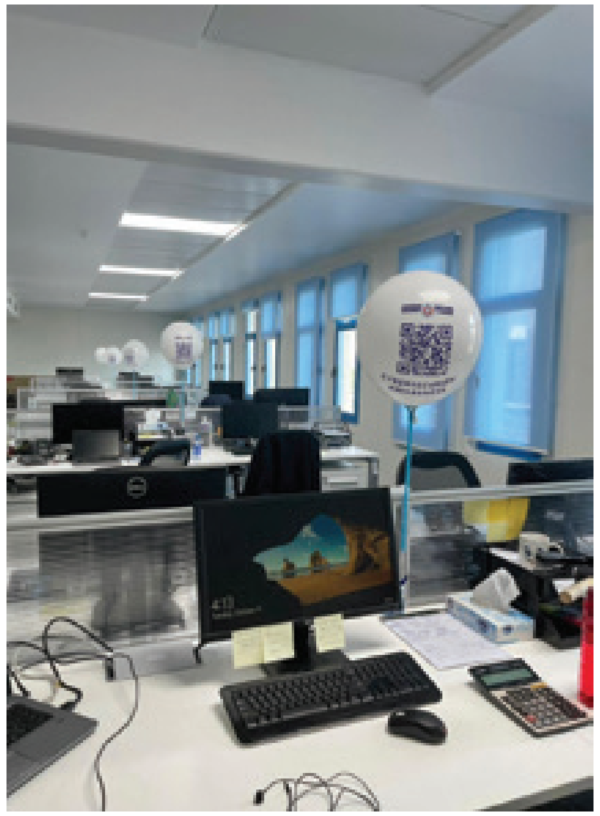
1. Achieved a prestigious ranking in the inaugural 2023 edition of Fortune 500 Arabia, securing 186 position for its significant impact on the region's economy and society.
2. Recognized as a Great Place to Work, SADAFCO underscores its dedication to fostering a positive workplace culture.
3. Target is to achieve female employment of more than 35 % in all the operations by the year 2030.
4. SADAFCO's ambition is to achieve an overall attrition rate of 10%.
5. Working with ministry to be involved in CSR projects in region/ depot.
6. SADAFCO joined the National Companies Football League to encourage sports.
7. SADAFCO is increasing its collaboration with local suppliers through partnerships to prioritize local procurement.
8. 95% of the packaging suppliers are local, while 9 % of the raw materials' suppliers are local.

Consumers

1. Introduced a culinary portfolio consisting of 100% natural and preservative-free products.
2. Educated 1.3+ million students across 2500+ schools to increase Consumer Education on health & nutrition aspects.
3. Testing for 15% reduction of sugar on flavored milk, banana and chocolate planned for 2024. Launched Vanilla milk with low sugar content.
4. SADAFCO continues to maintain certificates from reputable product quality certification bodies such as ISO 22000, Halal and Organic.
5. Reached the target of 7% innovation rate In the Frozen category in 2023.
6. SADAFCO aims to achieve and maintain a 100% conformance rate to marketing and labeling requirements by using New artwork approval software.

Governance

1. By 2027, we plan to be one of the leading companies in corporate governance. To achieve this goal, it plans to implement ISO 37000:2021 standards by the end of 2024.
2. The company demonstrates a strong commitment to adhering to CMA law and corporate governance regulations, as there have been no penalties, whether monetary or non-monetary, imposed by the CMA due to the company's compliance with the relevant laws and regulations.
3. Our commitment to upholding human rights is reflected in our whistleblower policy, where we actively strive to mitigate the risks associated with human rights violations.
4. We continuously strive to minimize security breaches through the implementation of proper controls and IT security processes. This includes planning and conducting Phishing Attack Simulations and providing cyber security awareness training.



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

- The Company contributed products to charities and schools catering to special family needs such as NAMA and WAFA societies.
- SADAFCO supplied free products to charity and schools in various locations across the Kingdom.
- SADAFCO also contributed products to Quran schools.

Sponsoring & Participation in Events

- Participated in Jeddah exhibition for Hajj and Umrah catering programs.
- Sponsorship of the Non-Profit Sector Empowerment Forum in Taif under the auspices of His Highness the Governor of Taif. Participated in the Awareness Forum For non-profit sector organizations and awarded as an active participant by Taif Governorate.
- Sponsored the “Future Industrialists” initiative which includes arrangements of student to SADAFCO factories in coordination with UBT university.
- SADAFCO sponsored sporting activities such as Jeddah United Basketball tournament.

Community Volunteering

- Welcoming pilgrims’ initiative during Hajj season and issued licenses for SADAFCO vans to sell and distribute SADAFCO products.
- Jeddah beach clean-up initiative 2023, under the Red Sea clean-up initiative 2023.
- Planting initiative 250 trees and completing around 200 hours as part of the National Green Saudi Program.
- Active efforts in reducing liquid and solid waste: by societal events such as plantation to counter desertification, and red sea beach clean-up to preserve marine life from plastic wastes.

Promoting Health and Wellbeing

- In collaboration with Modon, SADAFCO constructed and provided free parking area to serve patients of Heraa Public hospital in MAKKAH region.
- Supported Ministry of Health vaccination programs.
- Provided day-care facility to for working mothers.
- Provided health awareness lectures with pioneering doctors to cover significant topics such as Breast Cancer via internal seminars with guest speakers from Zahra association magazine, as well as training programs to discuss how to reduce stress at work and encourage work-life balance.

Educational & Vocational Programs

- SADAFCO reached over 1.3 million students in 2500 schools around 18 different cities in Saudi Arabia with information on healthy foods and their significant impact. The aim is to reach 1.5 million students in 2600 schools by 2024.

02

CORPORATE GOVERNANCE

Overview

A primary source of corporate governance for the Company is the Capital Market Law with its implementing regulations issued by the Capital Market Authority (CMA), specific provisions within the Companies' Law, and corporate governance best practices.

The corporate governance framework governs the relationships among the board, executive management, shareholders, and other stakeholders. This framework establishes rules, policies and procedures that streamline decision-making processes with the aim of safeguarding the rights of shareholders and other stakeholders. Furthermore, it promotes the values of integrity, fairness, and transparency in the Company's operations.

By adhering to this framework, which emphasize clear and transparent disclosure practices, the board ensures that it acts in the best interests of shareholders. Compliance with this framework also ensures that the Company presents a transparent and accurate view of its financial condition and operational results. The Company recognizes the significance of ongoing compliance with this framework as a key factor in its sustained success.

CORPORATE GOVERNANCE SYSTEM

CORPORATE GOVERNANCE CODE AND INTERNAL POLICIES

In accordance with Article 91 of the CMA Corporate Governance Regulations, the Board of Directors approved the Corporate Governance Code of the Company on 18/08/1434H (corresponding to 25 June 2013), and subsequently revised on 10/07/1440H (corresponding to 17 March 2019).

The Company's Corporate Governance Code includes the following internal rules, policies and charters:

- Rights of Shareholders;
- Dividends Distribution policy;
- General Assembly procedures;
- Delegation of Powers principals;
- Risk Management policy;
- Conflict of interest policy;
- Relations with Stakeholders;
- Confidentiality Policy;
- Disclosure and Transparency policy;
- Board of Directors charter;
- Code of Conduct policy;
- Whistleblowing policy; and
- Monitoring, and Internal Control Systems.

CORPORATE GOVERNANCE COMPLIANCE

The Company adheres to all the provisions outlined in the CMA Corporate Governance Regulations, except for the highlighted articles in the next section (e). As part of these CMA provisions, the company has already complied with:

- General shareholder rights (Articles 4 to 9);
- Rights relating to General Assembly Meetings (Articles 10 to 15);
- The Board of Directors: formation, responsibilities, competencies, procedures and training (Articles 16 to 39);
- Conflicts of interest (Articles 40 to 46);
- Company committees (Articles 47 to 69); and
- Internal controls, external auditors, company reports and policies, and various other matters (Articles 70 to 95).

In addition, in compliance with the CMA Corporate Governance Regulations:

- The Ordinary General Assembly of the Company formed the Audit Committee on 24/09/1442H (corresponding to 06 May 2021).
- The Board of Directors formed the Nomination and Remuneration Committee on 19/08/1442H (corresponding to 01 April 2021).
- The Company prepared the Audit Committee charter and the Nomination and Remuneration Committee charter, which were approved by the Board and ratified by the General Assembly.
- The Company prepared the Board Membership Policy, which was approved by the Board and ratified by the General Assembly.
- The Company prepared the Policy for Remuneration of Board of Directors, Its Committees and Executive Management, which were ap-proved by the Board and ratified by the General Assembly.
- The Company prepared the Corporate Social Responsibility (CSR) Policy, which was approved by the Board and ratified by the General Assembly.
- The Company prepared the Competition Standards for Board Member with the Company's business., which was approved by the Board and ratified by the General Assembly.
- The Company has recently amended its bylaws to align with the changes mandated by the new Companies' Law. These amendments approved by the Board and ratified by the General Assembly.

Furthermore, the Company has put in place measures to comply with provisions that deal with conflicts of interest and competing activities (Articles 71, 72 and 73 of the Companies' Law and Articles 42 and 44 of the Corporate Governance Regulations). The Company will comply with the requirements of these provisions when it seeks the approval of the General Assembly for Related Party Transactions and Competing Activities.

Moreover, the management has established a number of committees to oversee specific functions within the Company and assist the Board in effectively supervising and operating the various departments. These management committees, though not formal committees of the Board, include: (i) Executive Management Committee; (ii) Sustainability Steering Committee; (iii) IT & Customer Board Committee; (iv) HR Committee; (v) Ethics Committee; and (vi) Risk Management Committee.

PROVISIONS HAVE/HAVE NOT BEEN IMPLEMENTED OF THE CORPORATE GOVERNANCE REGULATIONS, WITH JUSTIFICATIONS:

Article/Sub Arti-cle	Details of Article / Sub Article	Justifications
39/e	**Board Evaluation:** 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 Direc-tors 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 in accordance with its charter.
68	**Competencies of the Risk Management Committee**	Guiding Article. Risk management is undertaken by Audit Committee in accordance with its charter.
69	**Meetings of the Risk Management Committee**	Guiding Article. Risk management is undertaken by Audit Committee in accordance with its charter.
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. The Board is overseeing the Company's Governance activities.

Board of Directors

Under the bylaws, the Board of Directors shall be comprised of (nine) directors appointed by the General Assembly by means of cumulative voting. The Companies' Law, corporate governance regulations, the Company's bylaws and corporate governance code determine the duties and responsibilities of the Board of Directors. The term of the appointed Board of Directors is for a period of (three) years starting from the date of its formation on 01 April 2021 and ends on 31 March 2024.

NAMES OF BOARD OF DIRECTORS, COMMITTEES MEMBERS AND EXECUTIVE MANAGEMENT - CURRENT AND PREVIOUS POSITIONS, QUALIFICATIONS AND EXPERIENCE

Sheikh Hamad 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 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 - Bahrain
- Vice Chairman of United Gulf Bank - Bahrain
- Vice Chairman of Jordan Kuwait Bank - Jordan

Sheikh Sabah 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 Basamh
MEMBER

Previous Positions in SADAFCO & Other Company

Board member in various companies

Qualifications

- B.Sc Business Administration – Marketing & Logistics
- Ohio State University, USA

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 Al-Marzouki
MEMBER

Previous Positions in SADAFCO & Other Company

Member

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

Mr. Suleiman Saud 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 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 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 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
HH Sheikh Hamad Sabah Al-Ahmad	Non-executive
Mr. Faisal Hamad Mubarak Al-Ayyar	Non-executive
HH Sheikh Sabah Mohammed Al-Sabah	Non-executive
Mr. Saeid Ahmed Saeid Basamh	Non-executive
Mr. Ahmed Mohamed Hamed Al-Marzouki	Independent

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

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 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 Al-Ayyar	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ KIPCO Holding ▪ Panther Media Group	KSA Kuwait UAE	Listed Listed Limited	▪ Gulf Insurance Group ▪ United Gulf Bank ▪ Jordan Kuwait Bank	Kuwait Bahrain Jordan	Listed Listed Listed
HH Sheikh Sabah 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 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

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 Ahmed Mohamed 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 Al-Jarallah	▪ Saudia Dairy & Foodstuff Co. (SADAFCO) ▪ Al Jarallah for Gold & Jewellery	KSA KSA	Listed Est.			
Mr Mussad Abdullah 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. Hani Abdulaziz 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. ▪ Eastren 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 Al-Nassar	▪ Saudia Dairy & Foodstuff Co. (SADAFCO)	KSA	Listed	▪ None	None	None

NUMBER AND DATE OF BOARD OF DIRECTORS MEETINGS DURING THE FINANCIAL YEAR (01/04/2023 TO 31/12/2023)

The Board convened a total of 4 meetings, and 17 resolutions were approved by circulation.

Name	Attended (4)				Resolution by Circulation (17)																	Total
	13/06/2023	26/09/2023	08/11/2023	10/12/2023	11/04/2023	21/05/2023	28/05/2023	01/06/2023	11/06/2023	15/06/2023	19/06/2023	22/06/2023	17/07/2023	25/07/2023	21/09/2023	19/10/2023	29/10/2023	14/11/2023	14/11/2023	10/12/2023	11/12/2023	21
Sheikh Hamad Sabah Al-Ahmad	✓	✓	✓	×	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	20
Mr Faisal Hamad Al-Ayyar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Sheikh Sabah Mohammed Al-Sabah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr. Saeid Ahmed Basamh	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr Ahmed Mohamed Al-Marzouki	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr Suleiman Saud Al-Jarallah	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr Mussad Abdullah Al-Nassar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr. Hani Abdulaziz Saab.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21
Mr. Abdullah Hamdan Al-Nassar	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	21

The last Extraordinary General Assembly Meeting was held on 22 Aug 2023

SHARE OWNERSHIP OF BOARD OF DIRECTORS, SPOUSES AND MINOR CHILDREN

	Name	1st April 2023	31st December 2023	Change (+/-)
1.	HH Sheikh Hamad Sabah Al-Ahmad	0	0	-
2.	Mr. Faisal Hamad Mubarak Al-Ayyar	0	0	-
3.	HH Sheikh Sabah Mohammed Al-Sabah	0	0	-
4.	Mr. Saied Ahmed Saied Basamh	0	0	-
5.	Mr. Ahmed Mohamed Hamed Al-Marzouki	20,000	20,000	-
6.	Mr. Suleiman Saud Jarallah Al-Jarallah	1,000	1,000	-
7.	Mr. Mussad Abdullah Abdul Aziz Al-Nassar	11,000	11,000	-
8.	Mr. Hani Abdulaziz Ahmed Saab	2,000	2,000	-
9.	Mr. Abdullah Hamdan Abdullah Al-Nassar	1000	1000	-

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

DETAILS OF THE GENERAL ASSEMBLY MEETINGS HELD DURING THE LAST FINANCIAL YEAR AND THE NAMES OF THE MEMBERS OF THE BOARD OF DIRECTORS PRESENT

	Name	Extraordinary General Assembly Meeting 22/08/2023
1.	HH Sheikh Hamad Sabah Al-Ahmad	×
2.	Mr. Faisal Hamad Mubarak Al-Ayyar	×
3.	HH Sheikh Sabah Mohammed Al-Sabah	×
4.	Mr. Saied Ahmed Saied Basamh	✓
5.	Mr. Ahmed Mohamed Hamed Al-Marzouki	✓
6.	Mr. Suleiman Saud Jarallah Al-Jarallah	✓
7.	Mr. Mussad Abdullah Abdul Aziz Al-Nassar	✓
8.	Mr. Hani Abdulaziz Ahmed Saab.	✓
9.	Mr. Abdullah Hamdan Abdullah Al-Nassar	✓

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 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.

TRAINING, SUPPORT AND ASSESSMENT

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 Implementing Regulations, the Company's Bylaw, and any applicable laws.

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

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.

The company provides training programs designed for executive management. Additionally, programs are being prepared for the recently-appointed Board members, committee members, and Executive Management to acquaint them with the Company's business progress and activities. These programs particularly focus on the following areas:

a. Familiarizing members with the Company's strategy and objectives.

b. Providing insights into the financial and operational aspects of the Company's activities.

c. Educating Board members about their obligations, duties, responsibilities, and rights.

d. Enhancing understanding of the duties and competencies of the Board committees.

e. Recognizing that the current board members already possess the requisite capabilities and expertise.

Board Committees

To enhance the management of the Company, the Board of Directors has established several committees. Each committee is obliged to adopt a charter that outlines its role, authority, responsibilities, and meeting protocols in order to effectively fulfill its obligations.

The following provides an overview of the committee structure, responsibilities, and the current individuals serving on each committee:

1) 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 PROFILE

The Audit Committee consists of three (3) members appointed by the shareholders. The following members of the Audit Committee were appointed during the Ordinary General Assembly meeting held on 24/09/1442H (corresponding to 06 May 2021) effective from 06 May 2021 ending 31st March 2024.

Mr. Faisal Hamad Al-Ayyar

CHAIRMAN

Previous Positions

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

Mr. Saied Ahmed Basamh

MEMBER

Previous Positions

Member

Qualifications

B.Sc Business Administration - Marketing & Logistics Ohio State University, USA

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 Al-Marzouki

MEMBER

Previous Positions

Member

Qualifications

MBA - California State University - USA

Experience

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

AUDIT COMMITTEE MEMBERS, THEIR MEETINGS AND RESOLUTIONS DURING THE FINANCIAL YEAR (01/04/2023 TO 31/12/2023)

Name	Capacity	Attended (4)				By Circulation (4)				Total
		24/07/2023	26/10/2023	18/12/2023	24/12/2023	28/05/2023	14/06/2023	26/06/2023	09/11/2023	
Mr. Faisal Hamad Al-Ayyar	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Saied Ahmed Basamh	Member	✓	✓	✓	✓	✓	✓	✓	✓	8
Mr. Ahmed Mohamed Al-Marzouki	Member	✓	✓	✓	✓	✓	✓	✓	✓	8

2) 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:

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

2) Review the company records and documents and requesting any clarification or indication from the board or executive management members or the company employees, for the purpose of inquiry about any information.

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

NOMINATION & REMUNERATION COMMITTEE MEMBERS PROFILE

The Nomination & Remuneration Committee consists of three (3) members appointed by the Board of Directors for a period of three (3) years, effective from 01st April 2021 ending 31st March 2024.

Mr. Ahmed Mohamed Al-Marzouki

CHAIRMAN

Previous Positions

Member

Qualifications

MBA - California State University - USA

Experience

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

Mr. Faisal Hamad Al-Ayyar

MEMBER

Previous Positions

Member

Qualifications

Aviation, USA

Experience

- Vice Chairman of KIPCO - Kuwait
- Vice Chairman of Gulf Insurance Co - Kuwait
- Vice Chairman of Kuwait Jordanian Bank - Jordan
- Vice Chairman of SADAFCO - Saudi Arabia
- Vice Chairman of United Gulf Bank - Bahrain

Mr. Suleiman Saud Al-Jarallah

MEMBER

Previous Positions

Chairman

Qualifications

Military School - Saudi Arabia

Experience

- Manager Jarallah Jewellery - Saudi Arabia
- Board Member SADAFCO - Saudi Arabia

NOMINATION & REMUNERATION COMMITTEE MEMBERS, THEIR MEETINGS AND RESOLUTIONS DURING THE FINANCIAL YEAR (01/04/2023 TO 31/12/2023)

Name	Capacity	Attended (3)			By Circulation (2)		Total
		14/05/2023	19/09/2023	18/12/2023	08/06/2023	09/11/2023	5
Mr. Ahmed Mohamed Hamed Al-Marzouki	Chairman	✓	✓	✓	✓	✓	5
Mr Faisal Hamad Mubarak Al-Ayyar	Member	✓	✓	✓	✓	✓	5
Mr Suleiman Saud Jarallah Al-Jarallah	Member	✓	✓	✓	✓	✓	5

3) INVESTMENT COMMITTEE

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 PROFILE

The Investment Committee consists of five (5) members appointed by the Board of Directors, effective from 18 September 2022 ending 31st March 2024.

Mr. Faisal Hamad Al-Ayyar

CHAIRMAN

Previous Positions

Chairman

Qualifications

Aviation, USA

Experience

- 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

Mr. Ahmed Mohamed Al-Marzouki

MEMBER

Previous Positions

Member

Qualifications

MBA - California State University - USA

Experience

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

Mr. Saied Ahmed Basamh

MEMBER

Previous Positions

Member

Qualifications

B.Sc Business Administration – Marketing & Logistics

Ohio State University, USA

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 Soroh Al-Madinah for Real Estate Investments Co. – Saudi Arabia
- Board Member – Jeddah Development & Urban Regeneration Co. (JDURC) – Saudi Arabia

Mr. Hani Abdulaziz Saab

MEMBER

Previous Positions

Member

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. Mussad Abdullah Al-Nassar

MEMBER

Previous Positions

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.

INVESTMENT COMMITTEE MEMBERS, THEIR MEETINGS AND RESOLUTIONS DURING THE FINANCIAL YEAR (01/04/2023 TO 31/12/2023)

Name	Capacity	Attended (1)	Total
		12/06/2023	1
Mr Faisal Hamad Mubarak Al-Ayyar	Chairman	✓	1
Mr. Saied Ahmed Saied Basamh	Member	✓	1
Mr. Ahmed Mohamed Hamed Al-Marzouki	Member	✓	1
Mr. Hani Abdulaziz Ahmed Saab	Member	✓	1
Mr. Mussad Abdullah Abdul Aziz Al-Nassar	Member	✓	1

Executive Management

SADAFCO enjoys an experienced management team, which brings a wealth of knowledge and expertise, having successfully navigated the fast-moving consumer goods (FMCG) industries for many years. Their deep understanding of market dynamics, consumer trends, and industry best practices enables SADAFCO to make informed decisions, drive innovation, and maintain a competitive edge in the market. With their strategic vision and proven track record, the management team plays a pivotal role in steering SADAFCO towards sustainable growth and delivering exceptional value to its stakeholders.

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.

SUBIR DHAWAN

Chief Financial Officer

With over 25 years, he has led teams across several multinational companies driving progressive financial management. He has led the transformation of finance functions across multiple industries. He brings a wealth of financial experience supporting in commercial, supply chain, and manufacturing functions, in both FMCG and pharmaceutical industries.

Before joining SADAFCO, Dhawan has held numerous positions within the region and globally. He managed financial operations, oversaw business strategies, and led teams in dynamic and complex environments at Frieslandcampina, GlaxoSmithKline, British American Tobacco, and Mars. As a result of these roles, he has gained a comprehensive understanding of the food industry on both a global and local level.

A strong advocate for change and transformation, Dhawan aims to foster a positive, supportive work environment for his team members to grow and develop. His extensive experience working in multinational corporations across multiple geographies makes him culturally flexible and versatile. With a proven record of adapting to new cultures quickly and collaborating effectively with diverse teams, he is able to effectively contribute to teams from different backgrounds.

Education
He holds a B.A. of Commerce from Pune University, an MBA, and a Chartered Accountant Certification (CA).

BRIAN STRONG

Chief Transformation Officer

Brian is an accomplished executive serving as the Chief Transformation Officer with a strong focus on sustainability and ESG activities, Brian plays a pivotal role in steering the company towards a more sustainable future. He is passionate about integrating responsible business practices and driving positive impact through strategic initiatives.

As the Chief Transformation Officer, Brian is responsible for leading transformative projects that redefine the company's direction and enhance its competitive edge. He spearheads the introduction of new products and services, leveraging his keen market insights to identify growth opportunities and drive innovation.

With a wealth of experience in supply chain, sustainability and ESG practices, Brian ensures that the company operates in an environmentally conscious and socially responsible manner. He collaborates with cross-functional teams to develop and implement strategies that minimize the company's ecological footprint and contribute to the well-being of the communities it serves.

Brian has recently rejoined the SADAFCO team in November 2020 and brings with him 30 years of FMCG and Retail experience, of which 25 years has been in KSA.

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

TJERK OOSTVEEN

Chief Supply Chain Officer

With over 25 years of experience in Supply Chain management for leading dairy companies, Oostveen has worked extensively in complex and emerging markets worldwide.

His roles have spanned the End-to-End Supply Chain, encompassing sourcing, production, delivery, and planning of various consumer products such as liquid milk, yoghurt, baby food, milk powders, and cheese.

Prior to joining SADAFCO, Oostveen held the role of Business Group Director Plan & Deliver at FrieslandCampina, overseeing the Asian region. His key achievements included upgrading the manufacturing network, leading to the establishment of two greenfield factories in Malaysia and Indonesia. In Russia, he spearheaded business growth and transitioned the route-to-market network, resulting in improved service levels and significant cost savings. Additionally, Oostveen served as Director of Supply Chain for fresh cheese operations at FrieslandCampina in the Netherlands.

Oostveen currently manages the end-to-end supply chain, supporting growth and cross-functional effectiveness, poised to drive SADAFCO's expansion.

Education
He holds a Master of Science degree in Industrial Engineering from the Eindhoven University of Technology. During his work he did join several courses like inhouse Dairy Technology trainings, Supply Chain Management at INSEAD and a Leadership program at the IMD in Switzerland. He is fluent in English, Dutch and German and speaks basic Russian and French.

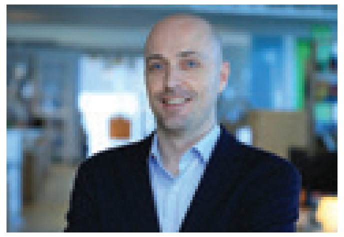
DEVASHEESH SINGH

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

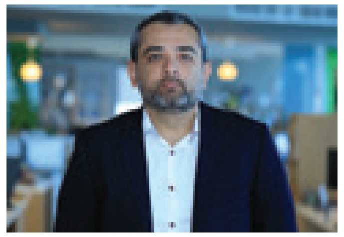
Chief Marketing Officer

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 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.

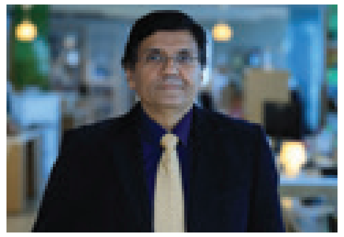
SULTAN AHMED ALGHAMDI

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. Fahim Hamdani, Director Treasury & Risk; 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.

SHARE OWNERSHIP OF EXECUTIVE MANAGEMENT TEAM, SPOUSES AND MINOR CHILDREN

	Name	1st April 2023	31st December 2023	Change (+/-)
1.	Mr. Patrick Stillhart	0	0	-
2.	Mr. Subir Dhawan	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	2050	0	-2050
8.	Mr. Tjerk Oostveen	0	0	-
9.	Mr. Sultan Alghamdi	1	1	-
10.	Mr. Shrikanth Andali	0	0	-

The 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.

Details of Compensation and Remuneration

BOARD MEMBERS REMUNERATION DURING THE SHORT FISCAL YEAR UNTIL THE END OF ITS TERMS ON 31-MAR-2024

	Fixed Remuneration (SAR)							Variable Remuneration (SAR)						End of Service Benefit (SAR)	Grand Total (SAR)	Expenses Allowance (SAR)
	A certain amount	Attendance allowance for board meetings	Total Committees attendance allowance	In-kind benefits	Details of board members earnings as workers or administrative or other earnings for technical, administrative and consultant services or technical services	Remuneration of Chairman or Managing Director or BOD Secretary if he is a member	Total	% of profit	Periodic Remuneration	Short term motivational plans	Long term motivational plans	Given Shares (value)	Total			
Independent Members																
Mr Ahmed Marzouki	400,000		80,000				480,000								480,000	
Mr. Hani Sabb	400,000		10,000				410,000								410,000	
Mr. Abdullah Nassar	400,000						400,000								400,000	
Total	**1,200,000**		**90,000**				**1,290,000**								**1,290,000**	
Non -Executive Members																
HH Hamad AlAhmad	400,000						400,000								400,000	
Mr Faisal Al-Ayyar	400,000		80,000				480,000								480,000	
HH Sabah AlSabah	400,000						400,000								400,000	
Mr Saied Basamh	400,000		50,000				450,000								450,000	
Mr Suleiman Jarallah	400,000		30,000				430,000								430,000	
Total	**2,000,000**		**160,000**				**2,160,000**								**2,160,000**	
Executive Members																
Mr Mussad Nassar	400,000		10,000		927,591		1,337,591							87,735	1,425,326	
Total	**400,000**				**927,591**		**1,337,591**							**87,735**	**1,425,326**	

BOARD COMMITTEES REMUNERATION DURING THE SHORT FINANCIAL YEAR ENDED ON 31 DECEMBER 2023:

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	-	30,000	30,000
2.	Mr Faisal Hamad Mubarak Al-Ayyar	-	30,000	30,000
3.	Mr Suleiman Saud Jarallah Al-Jarallah	-	30,000	30,000
	Total		**90,000**	**90,000**

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**

EXECUTIVE MANAGEMENT REMUNERATION DURING THE SHORT FINANCIAL YEAR ENDED ON 31 DECEMBER 2023 FOR SIX MEMBERS INCLUDING CEO AND CFO*

	Fixed Remuneration (SAR)				Variable Remuneration (SAR)								
	Salaries	Allowances	In-kind Benefits	Total	Periodic Remuneration	Dividends	Short term plan incentives	Long term plan incentives	Given Shares (Value)	Total	End of Service benefit	Total Remuneration of BOD Executive if any	Total (SAR)
No. of staff (6)	3,379,274	1,156,240		4,535,514			1,924,750			1,924,750	309,666		6,769,930
Total	**3,379,274**	**1,156,240**		**4,535,514**			**1,924,750**			**1,924,750**	**309,666**		**6,769,930**

* 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 POLICY FOR BOARD OF DIRECTORS, COMMITTEES AND EXECUTIVE MANAGEMENT

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.

Relation Between the Paid Remuneration and Compliance

The remuneration is paid to the members of the Board of Directors, the members of the board committees and senior executives, that is shown in the related tables in this report, in accordance with the "Remuneration Policy for Board of Directors, Committees and Executive Management" approved by the Shareholders General Assembly and based on the recommendation of the Nomination and Remuneration Committee. Knowing that there was no deviation in the remuneration payment from the policy.

SUBSIDIARIES AND AFFILIATES

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.

** After 31st December 2023, Mlekoma Dairy Sp. z o.o. has been sold at profits.

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.

Shareholders Register Applications

The below table summarizes the number and dates of Shareholders Register applications requested by the Company and the reasons for that during the short fiscal year ended on 31 December 2023:

No. of Request	Date of Request	Reason
1	14/08/2023	Shareholders General Assembly
2	24/08/2023	Dividend Distribution
3	17/12/2023	Company's procedures

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

	Name	Number of Shares on 1st April 2023	Number of Shares on 31st December 2023	Percentage Ownership on 1st April 2023	Percentage Ownership on 31st December 2023	Change (+/-)
1	Kuwait Investment Projects Co (KIPCO)	13,036,461	13,036,461	40.11%	40.11%	-
2	Al-Samh Trading Co Ltd	3,798,008	3,798,008	11.68%	11.68%	-

Dividends

DIVIDENDS 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.

A. 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.

B. Dividends Distribution Announcement.

1. 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.

2. 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:

1. 10% of the net profits are to be set aside to form the company's statutory reserve. The Ordinary General Assembly may choose to stop this reserve once it reaches 30% of the capital paid.
2. The Ordinary General Assembly based on the proposal of the Board may set aside (10%) of the net profits to form voluntary reserve to be allocated to the determined objective or objectives as per the resolution made by the Shareholders Ordinary General Assembly.
3. The Ordinary General Assembly may resolve to form other reserves to meet the interests of the company, or to ensure the distribution of fixed dividends for shareholders, as possible. The mentioned assembly may likewise deduct amounts from the net profits to establish social institutions for the company's employees or to assist the performance of such institutions.
4. The balance thereafter shall be distributed among the shareholders in a proportion representing (5%) of the paid-up capital.
5. Subject to the provisions laid down in Article 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:

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

1. The issuance of annual resolution by the General Assembly authorizing the Board to distribute interim dividends.
2. The company shall enjoy regular positive profitability.
3. The company shall enjoy reasonable liquidity, and able to reasonably foresee the scale of its profits.
4. The Company shall have distributable profits based on the latest audited financial statements. These profits 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.

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:

1. The Board shall revise the content of this policy, as may be necessary.
2. This policy will be effective and enforceable after the approval of the Board on 27/02/2018
3. 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

DIVIDENDS DISTRIBUTION FOR THE PERIODS OF THE SHORT FINANCIAL YEAR 2023 (FROM 01-APR-2023 TO 31-DEC-2023)

	1st Half Year Dividend	Q3 and Final Dividend recommended for distribution	Total Dividend
%	60%	60%	120%
Total (SAR Mln)	192.00	192.00	384.00

Annual Review of Internal Controls Effectiveness

The IA department reviews the adequacy, efficiency and effectiveness of internal controls, risk management and governance processes to ensure their effectiveness, through annual plan throughout the year, as approved by the board of directors (the "Board"). The Board also ensures that management is acting on reported issues and managing risks systemically, which will lead to controls enhancement. Based on the work of the internal auditors and the conclusions contained in their audit reports issued during the current period and management's representation with respect to the effectiveness of the company's internal and financial control systems, no major control issues have been noted and thus the Board believes that these systems are effectively run. Management has updated the (business continuity plan manual) for 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 CMA Corporate Governance Regulations and Companies' law 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	6.7	1.86

SADAFCO entered into an Agreement with Al Buruj Cooperative Insurance Co. (offering insurance services) as its offer was the most suitable in terms of the price and benefits without preferential terms. Mr. Faisal Hamad Al-Ayyar (Vice Chairman of SADAFCO) is the Vice Chairman of the Gulf Insurance Co. owning 28.5% in Al Buruj Cooperative Insurance Co. Also, to be considered that Mr. Ahmed Al Marzouki is the Vice Chairman of Buruj Cooperative Insurance Co. and Board member of SADAFCO. These transactions for the year from 01-04-2023 to 31-12-2023 had a total value of SAR 6,756,784. (Indirect interest).

Company Name	Country	Nature of Transaction	Value (SAR Mln)	Closing Balance (SAR Mln)
PKC Advisory	India	Consultation Services	1.4	0

SADAFCO has a Consultancy Agreement with PKC Advisory for various business advisory services as its offer was the most suitable in terms of the price and benefits without preferential terms. Since PKC Advisory is part of Kuwait Investment Projects Company (KIPCO) Group, where Sheikh Hamad Sabah Al Ahmed and Mr. Faisal Hamad Al-Ayyar are the Chairman and Vice Chairman SADAFCO and Chairman and Board member of KIPCO, respectively. Also, to be considered that Sheikh Sabah Mohammed Al-Sabah is a Board Member of SADAFCO and member of the executive team of KIPCO. These transactions for the year from 01-04-2023 to 31-12-2023 had a total value of SAR 1,469,418.5 (Indirect interest).

Company Name	Country	Nature of Transaction	Value (SAR Mln)	Closing Balance (SAR Mln)
AXA Cooperative Insurance Co	KSA	Insurance Services	0.5	0.007

SADAFCO entered into an Agreement with AXA Cooperative Insurance Co. (offering insurance services) as its offer was the most suitable in terms of the price and benefits without preferential terms. Mr. Faisal Hamad Al-Ayyar (Vice Chairman of SADAFCO), is the Vice Chairman of the Gulf Insurance Co. which owning 50% in AXA Cooperative Insurance Co. Also, Gulf Insurance Co. is part of Kuwait Investment Projects Co. (KIPCO) Group. Noting that Sheikh Hamad Sabah Al-Ahmed and Mr. Faisal Hamad Al-Ayyar are the Chairman and Vice Chairman of SADAFCO and Chairman and Board member of KIPCO, respectively. Also, to be considered that Sheikh Sabah Mohammed Al-Sabah is a Board Member of SADAFCO and member of the executive team of KIPCO. These transactions for the year from 01-04-2023 to 31-12-2023 had a total value of SAR 515,949 (Indirect interest).

Company Name	Country	Nature of Transaction	Value (SAR Mln)	Closing Balance (SAR Mln)
Alternative Energy Project Co.	KUWAIT	Solar Project of JCW	0.5	0.071

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 SADAFCO and Chairman and Board member of KIPCO, respectively. Also, to be considered that Sheikh Sabah Mohammed Al-Sabah is a Board Member of SADAFCO and member of the executive team of KIPCO. These transactions for the year from 01-04-2023 to 31-12-2023 had a total value of SAR 541,891 (Indirect interest).

Company Name	Country	Nature of Transaction	Value (SAR Mln)	Closing Balance (SAR Mln)
Specialized Food Services Co. (SFS)	KSA	Distribution of foodstuff to retail stores, hotels, restaurants and catering customers	0.15	0.15

SADAFCO entered into an Agreement with Specialized Food Services Co. (SFS) for the distribution of specific SADAFCO products in the Foodservice channel as its offer was the most suitable in terms of the price and benefits without preferential terms. Noting that Mr. Saied Ahmed Saied Basamh a Board Member of SADAFCO, has ownership in SFS. These transactions for the year from 01-04-2023 to 31-12-2023 had a total value of SAR 149,779.68 (Direct interest).

Competition Activities

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

On December 24, 2023, the Company announced the successful completion of the construction of a new Depot in Makkah Industrial City. The Project includes fully prepared buildings and cold stores, along with the installation of safety, protection, and environmental systems in compliance with applicable laws and regulations. The new Depot is now fully operational, serving as a long-term infrastructure solution for both distribution and logistics operations. It is anticipated that this facility, which replaces the previously rented location, will contribute to future cost savings and create opportunities for growth.

NEW YANBU DEPOT

The Board of Directors has granted approval for the Executive Management to initiate the construction of a new Depot in Yanbu. The land, measuring 5,083 square meters, will be leased from the Saudi Industrial Property Authority (Modon) for a period of 20 years, starting from 08-03-1444H. The estimated cost of the project is SAR 20 million. The commercial production of the Depot is expected to commence in the first quarter of the fiscal year ending in December 2025.

This new Depot, replacing the current rented depot, is anticipated to provide enduring infrastructure solutions for distribution and logistics operations. This transition is expected to yield future cost savings and create opportunities for growth.

RIYADH NORTH LANDS

The Board has approved the purchase of a 30,000 sqm land in North Riyadh (Sodus) for an approximate total amount of SAR 30 million. This strategic investment will greatly assist the company in expanding its operations in Riyadh and facilitating its future growth.

ESG INITIATIVES

Our commitment to environmental, social, and governance (ESG) practices remains steadfast. We have made significant progress in the year by implementing various initiatives to reduce our electricity consumption through solar panels. Additionally, we have implemented water-saving measures and implemented water recycling systems in our factories, further contributing to our sustainability efforts.

Furthermore, we are proud to announce the addition of our first electric ice cream truck. This marks a significant step towards reducing our carbon footprint and transitioning to more environmentally friendly transportation options. We are excited about the positive impact this will have on our operations and our commitment to sustainable practices.

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.

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 million.

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:

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 December 31, 2023 and March 31, 2023.

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 December 31, 2023 and March 31, 2023, 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.

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.

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.

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 December 31, 2023, the Group had five customers that accounted for approximately 47% (March 31, 2023: 43%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 88% (March 31, 2023: 82%) in KSA, 4% (March 31, 2023: 4%) in GCC (other than KSA) and 8% (March 31, 2023: 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.

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

No penalties have been imposed on the Company by the Capital Market Authority during the short fiscal year 2023 (financial period from 01-Apr-2023 to 31-Dec-2023).

Declarations

Board of Directors 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 December 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.

03

FINANCIAL STATEMENTS

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

CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended December 31, 2023
with
INDEPENDENT AUDITOR'S REPORT

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

CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended December 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
جده 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 December 31, 2023, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the period then ended, and notes to the consolidated financial statements, comprising material 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 December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the period 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 12 of the consolidated financial statements.

Key audit matter	How our audit addressed the Key audit matter
As at December 31, 2023, the gross trade receivables balance was Saudi Riyals 297.85 million (March 31, 2023: Saudi Riyals 313.58 million), against which an allowance for impairment loss of Saudi Riyals 29.02 million (March 31, 2023: Saudi Riyals 27.77 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 December 31, 2023 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 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.

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.

Independent Auditor's Report (continued)

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

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.

- 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.

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)

- 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

Nasser Ahmed Al Shutairy
License No. 454

Jeddah, ----
Corresponding to ----

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

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

	Notes	December 31, 2023	March 31, 2023
Assets			
Property, plant and equipment	6	**895,764**	926,079
Right-of-use assets	7	**62,483**	62,679
Intangible assets	8	**6,170**	15,753
Other non-current assets		**6,620**	5,165
Equity accounted investee	9	**--**	539
Long term investments	10	**38,809**	38,258
Non-current assets		**1,009,846**	1,048,473
Inventories	11	**430,252**	419,534
Trade receivables	12	**268,838**	285,812
Prepayments and other receivables	13	**57,698**	45,545
Short term investments	14	**674,056**	394,520
Cash and cash equivalents	15	**349,340**	290,299
Assets held for sale	5	**1,205**	--
Current assets		**1,781,389**	1,435,710
Total assets		**2,791,235**	2,484,183
Equity			
Share capital	16	**325,000**	325,000
Statutory reserve	16	**162,500**	162,500
Other reserve	16	**366,811**	334,049
Treasury shares	16	**(51,559)**	(51,559)
Foreign currency translation reserve	16	**(11,570)**	(10,401)
Retained earnings		**1,110,349**	893,577
Equity attributable to owners of the Company		**1,901,531**	1,653,166
Non-controlling interests		**304**	22,381
Total equity		**1,901,835**	1,675,547
Liabilities			
Employee benefit obligations	18	**154,054**	140,138
Lease liabilities - non-current portion	7	**50,561**	51,647
Non-current liabilities		**204,615**	191,785
Trade and other payables	19	**322,152**	187,065
Accrued expenses and other liabilities	20	**315,693**	319,591
Due to related parties	31	**1,944**	3,391
Non-controlling interest put option	21	**--**	65,163
Lease liabilities - current portion	7	**13,472**	12,297
Dividends payables		**3,697**	3,595
Accrued Zakat and income tax	22	**27,827**	25,749
Current liabilities		**684,785**	616,851
Total liabilities		**889,400**	808,636
Total equity and liabilities		**2,791,235**	2,484,183

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

Mussad Abdullah Al Nassar	Patrick Othmar Stillhart	Subir Swarajya Dhawan
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the nine-month period ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Revenue	23	**2,111,480**	2,648,013
Cost of sales	24	**(1,360,810)**	(1,825,304)
Gross profit		**750,670**	822,709
Selling and distribution expenses	25	**(304,566)**	(351,040)
General and administrative expenses	26	**(91,492)**	(113,876)
Impairment (loss) / reversal on trade receivables	12	**(1,246)**	11,419
Other income		**1,866**	1,799
Other expenses	27	**(15,901)**	--
Operating profit		**339,331**	371,011
Finance income	28	**32,705**	18,499
Finance costs	29	**(22,905)**	(50,001)
Net finance income / (costs)		**9,800**	(31,502)
Share of profit / (loss) of equity accounted investee, net of tax	9	**729**	(392)
Profit before zakat and income tax		**349,860**	339,117
Zakat and income tax	22	**(24,878)**	(28,653)
Profit for the period / year		**324,982**	310,464
Profit for the period / year attributable to:			
Owners of the Company		**327,619**	308,771
Non-controlling interests		**(2,637)**	1,693
		324,982	310,464
Earnings per share:			
Basic and diluted earnings per share attributable to owners of the Company (Saudi Riyals)	30	**10.24**	9.65

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

Mussad Abdullah Al Nassar	Patrick Othmar Stillhart	Subir Swarajya Dhawan
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine-month period ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Profit for the period / year		**324,982**	310,464
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Foreign operations – foreign currency translation difference		**(1,143)**	642
Items that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	18	**(1,552)**	(4,913)
Other comprehensive loss for the period / year		**(2,695)**	(4,271)
Total comprehensive income for the period / year		**322,287**	306,193
Total comprehensive income for the period / year attributable to:			
Owners of the Company		**324,898**	304,963
Non-controlling interests		**(2,611)**	1,230
		322,287	306,193

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

Mussad Abdullah Al Nassar	Patrick Othmar Stillhart	Subir Swarajya Dhawan
Member Board of Directors	Chief Executive Officer	Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended December 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 April 1, 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 37)						(192,000)	(192,000)	--	(192,000)
Transfer to other reserve (Note 16)	--	--	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**
Profit for the period	--	--	--	--	--	**327,619**	**327,619**	**(2,637)**	**324,982**
Other comprehensive loss / income	--	--	--	--	**(1,169)**	**(1,552)**	**(2,721)**	**26**	**(2,695)**
Total comprehensive loss / income for the period	**--**	**--**	**--**	**--**	**(1,169)**	**326,067**	**324,898**	**(2,611)**	**322,287**
Dividends declared (Note 37)	--	--	--	--	--	**(95,999)**	**(95,999)**	**--**	**(95,999)**
Acquisition of non-controlling interest	--	--	--	--	--	**19,466**	**19,466**	**(19,466)**	--
Transfer to other reserve (Note 16)	--	--	**32,762**	--	--	**(32,762)**	--	--	--
Balance at December 31, 2023	**325,000**	**162,500**	**366,811**	**(51,559)**	**(11,570)**	**1,110,349**	**1,901,531**	**304**	**1,901,835**

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

Mussad Abdullah Al Nassar Member Board of Directors	Patrick Othmar Stillhart Chief Executive Officer	Subir Swarajya Dhawan Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine-month period ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Cash flows from operating activities			
Profit before zakat and income tax		**349,860**	339,117
Adjustments for:			
Depreciation on property, plant and equipment	6	**79,453**	103,827
Depreciation on right-of-use assets	7	**10,854**	13,644
Amortization of intangible assets		**--**	2,557
Gain on disposal of property, plant and equipment		**(364)**	(1,030)
Impairment loss / (reversal) on trade receivables	12	**1,246**	(11,419)
Other expenses	27	**15,901**	--
Finance income	28	**(32,705)**	(18,499)
Finance costs	29	**22,905**	50,001
Share of (profit) / loss from equity accounted investee	9	**(729)**	392
Provision for inventories	11	**7,655**	21,849
Provision for employee benefit obligations	18	**17,699**	18,285
		471,775	518,724
Changes in:			
Inventories		**(18,373)**	(81,962)
Trade receivables		**15,728**	(40,739)
Prepayments and other receivables		**(12,153)**	2,637
Trade and other payables		**135,087**	(4,436)
Accrued expenses and other liabilities		**(3,898)**	31,693
Due to related parties		**(1,447)**	1,988
Cash generated from operating activities		**586,719**	427,905
Employee benefit obligations paid	18	**(5,335)**	(11,205)
Finance costs paid		**(3,873)**	(7,793)
Zakat and income tax paid	22	**(22,800)**	(24,985)
Net cash generated from operating activities		**554,711**	383,922
Cash flows from investing activities			
Interest received		**22,949**	12,220
Purchase of property, plant and equipment	6	**(46,380)**	(95,812)
Purchases of intangible assets	8	**(6,170)**	--
Long term investments		**--**	(38,000)
Short term investments		**(945,800)**	(388,500)
Proceeds from disposal of property, plant and equipment		**732**	1,344
Proceeds from maturity of short term investments		**676,020**	--
Movement in other non-current assets		**(1,455)**	(430)
Net cash used in investing activities		**(300,104)**	(509,178)
Cash flows from financing activities			
Dividends paid to owners of the Company	37	**(95,897)**	(191,581)
Repayments of finance costs on lease liabilities	7	**(1,451)**	(2,405)
Acquisition of non-controlling interests	21	**(88,967)**	--
Principal repayments of lease liability	7	**(11,072)**	(13,448)
Net cash used in financing activities		**(197,387)**	(207,434)
Net change in cash and cash equivalents		**57,220**	(332,690)
Effects of exchange rate fluctuations on cash and cash equivalents		**1,821**	(2,973)
Cash and cash equivalents at the beginning of the period / year		**290,299**	625,962
Cash and cash equivalents at the end of the period / year	15	**349,340**	290,299
SUPPLEMENTAL NON-CASH INFORMATION			
Addition to lease liabilities	7	**10,251**	11,537

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

Mussad Abdullah Al Nassar Member Board of Directors	Patrick Othmar Stillhart Chief Executive Officer	Subir Swarajya Dhawan Chief Financial Officer

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.

During the period, the shareholders of the Group approved the recommendation to amend the fiscal year end of the Group from March 31 to December 31. The change in fiscal year will not have any negative effects on the Group's financial or operational performance. As a result of the change in fiscal year, the Group has presented the consolidated financial statements for a period shorter than one year (i.e. nine-month period from April 1, 2023 to December 31, 2023). Accordingly, the amounts presented in the consolidated financial statements are not entirely comparable.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended December 31, 2023
(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 Basis of measurement

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; and
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.

Certain comparatives have been reclassified to conform to the current period's presentation.

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 period

Following amendments to IFRS and International Accounting Standards were effective on or April 1, 2023, but they did not have a material effect on the Group's financial statements:

Effective date	***New Standards or amendments***
April 1, 2023	IAS 8 Definition to accounting estimates
April 1, 2023	IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

2.5 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Groups intends to adopt these standards, interpretations and amendments if 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
IFRS 16	Lease Liability in a Sale and Leaseback – (amendments to IFRS 16)	January 1, 2024
IAS 7 and IFRS 7	Supplier finance arrangements (amendments to IAS 7 and IFRS 7)	January 1, 2024
IAS 21	Lack of exchangeability (amendments to IAS 21)	January 1, 2024

2. BASIS OF PREPARATION (continued)

2.5 Standards, interpretations and amendments issued but not yet effective (continued)

Following are the new IFRS sustainability disclosure standards effective for annual periods beginning on or after 1 January 2024 subject to endorsement of the standards by SOCPA.

Standard / Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IFRS S1	General requirements for disclosure of sustainability-related financial information	January 1, 2024
IFRS S2	Climate-related disclosures	January 1, 2024

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these financial statements, except if mentioned otherwise. In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from April 1, 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.

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 December 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:

- 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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

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. SUMMARY OF MATERIAL 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.

Associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

Interest in associates is accounted for using the equity method (equity accounted investee). They are initially recognized at cost which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and Other Comprehensive Income ("OCI") of equity accounted investee, until the date on which significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the investment carrying amount is reduced to nil and recognition of further losses is continued when the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Unrealised gains arising from transactions with equity accounted investees are eliminated against the underlying assets / liabilities to the extent of the Group's interest in the investee.

Non-controlling interests

Non-controlling interest represents the interest in subsidiary companies, not held by the Group which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with non-controlling interest parties are treated as transactions with parties external to the Group. Changes in Group's interest in a subsidiary as a result of transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, i.e. as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid / received and the relevant share acquired / disposed of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal / acquisition of non-controlling interests are also recorded in equity.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.2 Fair value measurement

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

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

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

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

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above. Refer Note 36 for more details.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.3 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 include milk products.
Non – drinks	Non drink products of the Group mainly include ice-cream and tomato paste.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.4 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.

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, except to the extent that the translation difference is allocated to NCI.

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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.5 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.

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.6 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

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.6 Property, plant and equipment (continued)

iii) Depreciation (continued)

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.

3.7 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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.8 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.

3.9 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 remeasurement of lease liability. Refer to the accounting policies under section Impairment of non-financial assets.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.9 Leases (continued)

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.

3.10 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

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

Initial recognition and measurement (continued)

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

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

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

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.

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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

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

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.

(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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.10 Financial instruments (continued)

(ii) Financial liabilities (continued)

Financial liabilities at fair value through profit or loss (continued)

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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended December 31, 2023
(All amounts in Saudi Riyals thousands unless otherwise stated)

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.11 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.

3.12 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.

3.13 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.

3.14 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. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

3.15 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.

3.16 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

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 8 to the consolidated financial statements.

(ii) Non-controlling interest put options

The fair value of non-controlling interest put options are recognised at the present value of redemption amount based on discount future cash flow analysis. The Group uses its judgment to select a variety of methods, and assumptions made are based on market and Group specific conditions existing at each reporting period. Further details are explained in Note 21 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 18 to the consolidated financial statements.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(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 7 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.

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

(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.

5. GROUP INFORMATION

The consolidated financial statements of the Group include:

Name	Relationship	Principal activities	Country of incorporation / principal place of business	% equity interest	
				December 31, 2023	March 31, 2023
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	**100%**	76%
Foodexo Sp. z o.o. (**)	Subsidiary	Dairy products	Poland	**100%**	76%
Mlekoma Dairy Sp. z o.o. (**)	Associate	Dairy products	Poland	--	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.

(All amounts in Saudi Riyals thousands unless otherwise stated)

5. GROUP INFORMATION (continued)

(**) These entities together are referred to as “Mlekoma group”. During the period ended December 31, 2023, the Group acquired an additional 24% interest in “Mlekoma group” under non-controlling interest put option agreement, increasing Group’s ownership from 76% to 100 %.

(***) On December 31, 2023, the Group has classified its investment in Mlekoma Dairy Sp. z.o.o. under assets held for sale based on the Group’s intention to realise the investment within twelve months after the reporting date (note 39).

At December 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).

6. PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment during the period / 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, 2023	618,377	1,215,893	263,245	110,386	111,811	2,319,712
Additions during the period	--	242	129	72	45,937	46,380
Disposals during the period	--	(512)	(1,954)	(16)	--	(2,482)
Transfers during the period	39,023	67,982	20,494	16,043	(143,542)	--
Exchange differences	2,769	3,200	492	436	79	6,976
As at December 31, 2023	660,169	1,286,805	282,406	126,921	14,285	2,370,586
Accumulated depreciation						
As at April 1, 2023	297,917	789,757	209,816	96,143	--	1,393,633
Charge for the period	15,417	44,243	14,856	4,937	--	79,453
Disposals during the period	--	(512)	(1,602)	--	--	(2,114)
Exchange differences	612	2,573	343	293	29	3,850
As at December 31, 2023	313,946	836,061	223,413	101,373	29	1,474,822
Carrying amount						
As at December 31, 2023	346,223	450,744	58,993	25,548	14,256	895,764

(All amounts in Saudi Riyals thousands unless otherwise stated)

6. 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, 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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) Depreciation charge for the period / year has been allocated as follows:

	Notes	**December 31, 2023**	March 31, 2023
Cost of sales	24	**52,370**	71,226
Selling and distribution expenses	25	**25,064**	28,498
General and administrative expenses	26	**2,019**	4,103
		79,453	103,827

(b) The ownership interest of the Group in a freehold land held in Madinah is amounting to Saudi Riyals 1.54 million (March 31, 2023: 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.

7. 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 8.07%. 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, 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
Additions during the period	**1,983**	**1,716**	**6,552**	**10,251**
Depreciation charge for the period	**(1,941)**	**(2,262)**	**(6,651)**	**(10,854)**
Exchange difference	**174**	**108**	**125**	**407**
Carrying amount as at December 31, 2023	**39,402**	**3,887**	**19,194**	**62,483**

7. LEASES (continued)

b. Lease liabilities

Movement in lease liabilities during the period / year is as follows:

	December 31, 2023	March 31, 2023
Lease liability at beginning of the period / year	**63,944**	66,633
Additions during the period / year	**10,251**	11,537
Payments made during the period / year	**(12,523)**	(15,853)
Finance costs charged during the period / year	**2,066**	2,476
Exchange differences	**295**	(849)
Lease liabilities at end of the period / year	**64,033**	63,944

Contractual undiscounted cashflows pertaining to lease liabilities as of December 31, 2023 and March 31, 2023, are disclosed in Note 34.

Lease liabilities as at December 31, 2023 and March 31, 2023 is divided into current and non-current portion as follows:

	December 31, 2023	March 31, 2023
Current	**13,472**	12,297
Non-current	**50,561**	51,647
	64,033	63,944

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

	December 31, 2023		March 31,2023	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
Less than one year	**14,371**	**12,083**	15,379	12,297
One to five years	**28,181**	**22,672**	28,979	20,549
More than five years	**41,687**	**29,278**	43,855	31,098
Total	**84,239**	**64,033**	88,213	63,944
Less: financial charges	**(20,206)**	--	(24,269)	--
	64,033	**64,033**	63,944	63,944

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7. LEASES (continued)

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

	December 31, 2023	March 31, 2023
Depreciation charge on right-of-use assets	**10,854**	13,644
Finance costs on lease liabilities	**2,066**	2,476
Expense relating to short term leases (included in cost of sales – Note 24, selling and distribution expenses – Note 25 and general and administrative – Note 26)	**6,656**	6,500

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

	Notes	December 31, 2023	March 31, 2023
Cost of sales	24	**1,309**	1,762
Selling and distribution expenses	25	**9,168**	11,459
General and administrative expenses	26	**377**	423
		10,854	13,644

8. INTANGIBLE ASSETS

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

	Goodwill	Brands	Capital work-in-progress	Total
Cost:				
As at April 1, 2023	**15,753**	--	--	**15,753**
Additions during the period	--	--	**6,170**	**6,170**
As at December 31, 2023	15,753	--	6,170	21,923
Accumulated amortization and impairment losses:				
As at April 1, 2023	--	--	--	--
Impairment loss during the period	**(15,753)**	--	--	**(15,753)**
As at December 31, 2023	**(15,753)**	--	--	**(15,753)**
Carrying amount:				
As at December 31, 2023	--	--	**6,170**	**6,170**
As at March 31, 2023	15,753	--	--	15,753

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8. INTANGIBLE ASSETS (continued)

The Group 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") and has recognised goodwill in respect of acquisition. During the period ended December 31, 2023, the Group acquired an additional 24% interest in "Mlekoma group" under non-controlling interest put option agreement, increasing Group's ownership from 76% to 100%.

(a) Goodwill

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

The Group tests whether goodwill has suffered any impairment on an annual basis. For the impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ("CGUs"). For the nine-month period ended December 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	**December 31, 2023**	March 31, 2023
EBITDA margins	**2.5%**	4%
Discount rate	**10.6%**	10.9%
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 December 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.

8. INTANGIBLE ASSETS (continued)

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 6% (March 31, 2023: 13%) across all expected cashflow would give a value in use equal to the current carrying amount.

(ii) Discount rate

The discount rate was an estimate of the weighted average cost of capital as of December 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 5% (March 31, 2023: 27%) 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 25% (March 31, 2023: 181%) would give a value in use equal to the current carrying amount.

(b) Impairment loss:

As at December 31, 2023, the Group conducted an evaluation of the goodwill for potential impairment. Following this assessment, it was determined that the carrying value of the CGU exceeded its recoverable amount. Consequently, an impairment loss of Saudi Riyals 15.75 million was recognized in the consolidated statement of profit or loss. This impairment loss was entirely allocated to the goodwill.

9. EQUITY ACCOUNTED INVESTEE

a) The Group had a 49% shareholding in Mlekoma Dairy Sp. z o.o. ("the associate"), a company incorporated in Poland. The investment was accounted for using equity accounted investment. During the period ended December 31, 2023, the Group intended to sale the equity accounted investee accordingly the equity accounted investee is classified as asset held for sale.

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

	December 31, 2023	March 31, 2023
Balance at beginning of the period / year	**539**	921
Share of profit / (loss) of equity accounted investee	**729**	(392)
Reclassification to assets held for sale	**(1,353)**	--
Foreign currency translation	**85**	10
Balance at end of the period / year	**--**	539

10. LONG TERM INVESTMENTS

Long term investments comprise of the following:

	December 31, 2023	March 31, 2023
Long term investments	**38,809**	38,258

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 mark-up of 5.5% per annum and are classified at amortised cost. The Sukuks are having 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 December 31, 2023 was Saudi Riyals 1,000 (March 31, 2023: 1,012.7) per certificate. The investment is made with bank with sound credit rating of "AL" based on Moody's credit rating.

11. INVENTORIES

Inventories comprise of the following:

	December 31, 2023	March 31, 2023
Raw materials	**212,772**	219,001
Packing materials	**26,476**	17,988
Finished goods	**140,151**	147,483
Spare parts, supplies and other items	**12,552**	19,067
Goods-in-transit	**79,438**	49,477
	471,389	453,016
Less: Provision for inventories (Note 11.1)	**(41,137)**	(33,482)
	430,252	419,534

11.1 Movement in the provision for inventories is as follows:

	December 31, 2023	March 31, 2023
Balance at beginning of the period / year	**33,482**	11,633
Charge for the period / year	**7,655**	21,849
Balance at end of the period / year	**41,137**	33,482

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

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12. TRADE RECEIVABLES

Trade receivables comprises of the following:

	December 31, 2023	March 31, 2023
Trade receivables	**297,855**	313,583
Less: Allowance for impairment of trade receivables (Note 12.1)	**(29,017)**	(27,771)
	268,838	285,812

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

12.1 The movement in allowance for impairment loss of trade receivables is as follows:

	December 31, 2023	March 31, 2023
Balance at beginning of the period / year	**27,771**	39,190
Charge / (reversal) for the period / year	**1,246**	(11,419)
Balance at end of the period / year	**29,017**	27,771

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 34 on the credit risk of trade receivables, which explains how the Group manages and measures the credit quality of trade receivables.

Trade receivables include SR 0.15 million (2022: Nil) due from related parties (note 31).

13. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprises of the following:

	December 31, 2023	March 31, 2023
Prepayments	**18,851**	15,301
Advances to suppliers	**12,365**	12,098
Advances to employees	**18,025**	9,242
Security deposits and others	**8,457**	8,904
	57,698	45,545

(All amounts in Saudi Riyals thousands unless otherwise stated)

14. SHORT TERM INVESTMENTS

Short term investments comprise of the following:

	December 31, 2023	March 31, 2023
Short term murabaha deposits	**674,056**	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 6.00% per annum as at December 31, 2023 (March 31, 2023: 5.10%).

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

15. CASH AND CASH EQUIVALENTS

Cash and cash equivalent as at December 31 comprises of the following:

	December 31, 2023	March 31, 2023
Cash in hand	**2,895**	6,268
Balances with banks	**94,668**	44,717
Short term murabaha deposits with original maturity of less than three months	**251,777**	239,314
	349,340	290,299

a) The rates on short term murabaha deposits ranges from 5.4% to 6.3% per annum for the nine-month period ended December 31, 2023 (March 31, 2023: 4.8% to 5.6% per annum).

b) At December 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.

16. CAPITAL AND RESERVES

16.1 Share capital

	No. of shares	**December 31, 2023**	March 31, 2023
Authorized capital	**32,500,000**	**325,000**	325,000
Share capital	**32,500,000**	**325,000**	325,000

16. CAPITAL AND RESERVES (continued)

16.1 Share capital (continued)

At December 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, 2023: Saudi Riyals 325 million consists of 32.5 million shares of Saudi Riyals 10 each). As at December 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 December 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).

16.2 Treasury shares

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

16.3 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 period, Saudi Riyals 32.8 million was transferred to voluntary reserve (year ended March 31, 2023: Saudi Riyals 30.9 million).

16.4 Foreign currency translation reserve

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

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17. 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.

	December 31, 2023	March 31, 2023
Current assets	--	78,667
Current liabilities	--	(23,131)
Net current assets	--	55,536
Non-current assets	--	31,683
Non-current liabilities	--	(288)
Net non-current assets	--	31,395
Net assets	--	86,931
Equity attributable to the owners of the Group	--	66,068
Non-controlling interests	--	20,863
	--	86,931

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

	December 31, 2023	March 31, 2023
Revenue	--	370,243
Expenses	--	(360,030)
Profit for the year	--	10,213
Profit for the year attributable to:		
Owners of Mlekoma Sp. z o.o.	--	7,660
Non-controlling interests	--	2,553
	--	10,213
Total comprehensive income attributable to:		
Owners of Mlekoma Sp. z o.o.	--	7,660
Non-controlling interests	--	2,553
	--	10,213
Summarized cash flows		
For the year ended		
Cash flows from operating activities	--	(6,543)
Cash flows from investing activities	--	(1,884)
Cash flows from financing activities	--	(188)
Net increase in cash and cash equivalents	--	(8,615)

18. 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 December 31, 2023 and March 31, 2023 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 of employees' end-of- service benefits:

	December 31, 2023	March 31, 2023
Balance at beginning of the period / year	**140,138**	128,145
Current service cost included in consolidated statement of profit or loss		
Service cost	**12,740**	14,662
Finance cost	**4,959**	3,623
	17,699	18,285
Included in other comprehensive income		
- Experience adjustment	**1,552**	4,913
Actuarial loss	**1,552**	4,913
Other		
Benefits paid	**(5,335)**	(11,205)
Balance at end of the period / year	**154,054**	140,138

ii) Actuarial assumptions

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

	December 31, 2023	March 31, 2023
Discount rate %	**5.00%**	4.57%
Future salary growth %	**5.00%**	6.57%
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 December 31, 2023 is 10.18 years (March 31, 2023: 10.51 years).

18. 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:

	December 31, 2023		March 31,2023	
	Increase	**Decrease**	Increase	Decrease
Discount rate (1% movement)	**(3,401)**	**3,543**	(3,140)	3,273
Future salary growth (1% movement)	**3,535**	**(3,409)**	3,265	(3,147)

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.

19. TRADE AND OTHER PAYABLES

Trade and other payables comprise of the following:

	December 31, 2023	March 31, 2023
Trade payables	**301,381**	164,308
Other payables	**20,771**	22,757
	322,152	187,065

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 10.3 million (March 31, 2023: Saudi Riyals 8.4 million).

20. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities comprise of the following:

	December 31, 2023	March 31, 2023
Employee related accruals	**91,237**	101,838
Marketing related accruals	**82,908**	75,723
Rent and utility accruals	**47,439**	40,437
Value added tax payable	**14,689**	21,137
Plant and facility maintenance	**14,324**	12,148
Other accruals	**65,096**	68,308
	315,693	319,591

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

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21. NON-CONTROLLING INTEREST PUT OPTION

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

The non-controlling interest put option was 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 was exercisable within a period of 15 business days from the expiry date of the option. The redemption value was recognised as higher of the purchase price as per the SPA or determined by applying the earnings multiplier to the audited EBITDA of Mlekoma group as reduced by net debt in accordance with the SPA. During the period ended December 31, 2023, the put option was exercised by the non-controlling interest (NCI) holders. The total outflow in respect of acquisition of NCI amounts to Saudi Riyals 88.96 million.

22. 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 beginning of the year, and adjusted net profit, less deduction for the net book value of property, plant and equipment and certain other items.

22.1 Charge for the year

The charge for the period / year consists of the following:

	December 31, 2023	March 31, 2023
Zakat charge	**26,743**	25,433
Income tax (refundable) / charge	**(1,865)**	3,220
	24,878	28,653

22. ZAKAT AND INCOME TAX

22.2 Accrued Zakat and income tax

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

	Zakat	Income tax	Total
At April 1, 2022	22,081	--	22,081
Charge for the year	25,433	3,220	28,653
Payments during the year	(21,765)	(3,220)	(24,985)
At March 31, 2023	25,749	--	25,749
Charge for the period	**26,743**	**(1,865)**	**24,878**
Payments during the period	**(24,665)**	**1,865**	**(22,800)**
At December 31, 2023	**27,827**	**--**	**27,827**

22. ZAKAT AND INCOME TAX (continued)

22.2 Accrued Zakat and income tax (continued)

Zakat charge for the period / year is based on the following:

	December 31, 2023	March 31, 2023
Equity	**1,642,663**	1,495,946
Property, plant and equipment	**(929,413)**	(999,086)
Right-of-use assets	**(57,688)**	(57,050)
Long term investments	**(38,810)**	(38,000)
Provisions and other adjustments	**262,640**	154,134
	879,392	555,944
Adjusted income for the period / year	**374,599**	376,133
Zakat base	**1,253,991**	932,077

22.3 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, 2023 and received the zakat certificate valid until July 31, 2024. ZATCA is yet to issue its final assessments for years 2021, 2022 and 2023.

23. REVENUE

Revenue for the period / year comprise of the following:

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Revenue from sale of drink products	**1,229,150**	1,553,064
Revenue from sale of non-drink products	**882,330**	1,094,949
	2,111,480	2,648,013

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23. REVENUE (continued)

Disaggregation of revenue from contracts with customers

Primary geographical markets

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Kingdom of Saudi Arabia	**1,772,878**	2,194,328
Outside Kingdom of Saudi Arabia	**338,602**	453,685
	2,111,480	2,648,013

Timing of recognition of revenue

All revenues of the Group are recognized at point of time when control of the products are transferred to the customer.

24. COST OF SALES

Cost of sales for the period / year comprise of the following:

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Material costs		**1,077,573**	1,462,522
Employee costs		**123,976**	166,583
Depreciation on property, plant and equipment	6	**52,370**	71,226
Depreciation on right-of-use assets	7	**1,309**	1,762
Fuel and transportation costs		**3,296**	46,271
Others		**102,286**	76,940
		1,360,810	1,825,304

25. SELLING AND DISTRIBUTION EXPENSES

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

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Employee costs		**152,687**	187,647
Advertising and sales promotion		**83,433**	74,701
Depreciation on property, plant and equipment	6	**25,064**	28,498
Depreciation on right-of-use assets	7	**9,168**	11,459
Insurance		**2,835**	3,332
Communication		**1,826**	2,672
Fuel and transportation costs		**7,285**	8,692
Utilities		**5,709**	6,142
Others		**16,559**	27,897
		304,566	351,040

26. GENERAL AND ADMINISTRATIVE EXPENSES

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

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Employee costs		**57,964**	74,785
Depreciation on property, plant and equipment	6	**2,019**	4,103
Depreciation on right-of-use assets	7	**377**	423
Amortization of intangible assets		**--**	2,557
Subscription costs		**6,956**	8,268
Directors' remuneration and other benefits		**3,392**	4,475
Communication		**2,126**	3,043
Repairs and maintenance costs		**1,990**	2,823
Insurance		**4,370**	1,436
Government related expenses		**3,526**	2,054
Others		**8,772**	9,909
		91,492	113,876

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27. OTHER EXPENSES

Other expenses for the period / year comprise of the following:

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Impairment loss on goodwill	8	**15,753**	--
Impairment loss on remeasurement of disposal group	27.1	**148**	--
		15,901	--

27.1 The impairment loss was recognised on the remeasurement of disposal group at the lower of its carrying amount and fair value less cost to sell.

28. FINANCE INCOME

Finance income for the period / year comprise of the following:

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Finance income on murabaha certificates	**31,897**	17,719
Finance income on long term investments	**808**	780
	32,705	18,499

29. FINANCE COSTS

Finance costs for the period / year comprise of the following:

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Finance cost on lease liability	7	**2,066**	2,476
Finance cost on NCI put option		**16,162**	39,732
Others		**4,677**	7,793
		22,905	50,001

30. BASIC AND DILUTIVE EARNINGS PER SHARE

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

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Profit for the period / year attributable to shareholders of the Company	**327,619**	308,771
The weighted average number of ordinary shares for the purposes of basic and diluted earnings ('000') (Note 30.2)	**32,000**	32,000
Basic and diluted earnings per share based on profit for the period / year attributable to shareholders of the Company (Saudi Riyals)	**10.24**	9.65

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

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Issued ordinary shares at beginning of the period / year	**32,500**	32,500
Effect of treasury share held	**(500)**	(500)
Weighted average number of ordinary shares outstanding at end of the period / year	**32,000**	32,000

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

31. 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 includes entities which are subsidiaries and subsidiaries and associates of KIPCO Group and key management personnel including close family members.

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

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31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) Due to related parties:

Transaction with	Nature of transaction	Transactions with related parties		Closing balance	
		For the nine-month period ended December 31, 2023	For the year ended March 31, 2023	**December 31, 2023**	March 31, 2023
Buruj Co-operative Insurance Company (associate of parent company) (*)	Insurance premium	**6,757**	9,336	**1,866**	2,507
PKC Advisory (associate of parent company)	Consultancy services	**1,469**	1,348	--	--
Alternative Energy Projects Co. (associate of parent company)	Purchase and installation of solar energy systems	**542**	881	**71**	881
Axa Cooperative Insurance (associate of parent company) (*)	Insurance premium	**516**	657	**7**	3
				1,944	3,391

(*) These transactions represent the insurance expense.

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

Transaction with	Nature of transaction	Transactions with related parties		Closing balance	
		For the nine-month period ended December 31, 2023	For the year ended March 31, 2023	**December 31, 2023**	March 31, 2023
Board of Directors and other committees	Remuneration	**2,700**	4,475	**2,700**	4,475

31. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Due from related parties under trade receivables:

Name	Nature of transaction	Transactions with related parties: For the nine-month period ended December 31, 2023	Transactions with related parties: For the year ended March 31, 2023	Closing balance: December 31, 2023	Closing balance: March 31, 2023
Specialized Food Services	Sale of goods	**150**	--	**150**	--

Compensation of key management personnel of the Group

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Short term and long term employee benefits	**7,487**	13,397
Termination benefits	**397**	530
Total compensation paid to key management personnel	**7,884**	13,927

32. SEGMENT INFORMATION

32.1 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.

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32. SEGMENT INFORMATION (continued)

32.1 Operating segment (continued)

The following table presents segment information for the period ended December 31:

	Drinks	Non- drinks	Unallocated	Total
For the nine-month period ended December 31, 2023				
Segment profit or loss				
Segment revenue	**1,272,979**	**977,379**	--	**2,250,358**
Inter-segment revenue	**(43,829)**	**(95,049)**	--	**(138,878)**
Revenue from external customers	**1,229,150**	**882,330**	--	**2,111,480**
Profit before zakat and income tax	**219,590**	**98,811**	**31,459**	**349,860**
Depreciation and amortization	**(63,687)**	**(26,620)**	--	**(90,307)**
Finance income	--	--	**32,705**	**32,705**
Finance cost	**(1,588)**	**(21,317)**	--	**(22,905)**
Share of loss of equity accounted investee	--	**729**	--	**729**
Impairment loss on trade receivables	--	--	**(1,246)**	**(1,246)**
Other expenses	--	**(15,901)**	**--**	**(15,901)**
As at December 31, 2023				
Segment assets				
Property, plant and equipment	**633,124**	**262,640**	**--**	**895,764**
Right-of-use assets	**44,593**	**17,890**	**--**	**62,483**
Intangible assets	**4,361**	**1,809**	**--**	**6,170**
Other non-current assets	**--**	**6,381**	**239**	**6,620**
Long term investments	**--**	**--**	**38,809**	**38,809**
Current assets	**901,432**	**529,412**	**350,545**	**1,781,389**
Total assets	**1,583,510**	**818,132**	**389,593**	**2,791,235**
Segment liabilities				
Current liabilities	**8,566**	**126,441**	**549,778**	**684,785**
Lease liabilities – non-current portion	**37,906**	**12,655**	--	**50,561**
Employee benefit obligations	--	**786**	**153,268**	**154,054**
Total liabilities	**46,472**	**139,882**	**703,046**	**889,400**

32. SEGMENT INFORMATION (continued)

32.1 Operating segment (continued)

	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 investments	--	--	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

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32. SEGMENT INFORMATION (continued)

32.1 Operating segment (continued)

The management has categorised its geographical operations as follows:

Geographic information	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Revenue from external customers		
Kingdom of Saudi Arabia	**1,772,878**	2,194,328
Poland	**165,438**	276,013
Gulf Cooperation Council (GCC) countries	**60,089**	63,611
Others	**113,075**	114,061
	2,111,480	2,648,013
Non-current assets		
Kingdom of Saudi Arabia	**908,442**	935,322
Poland	**44,987**	54,460
Gulf Cooperation Council (GCC) countries	**8,904**	11,080
Others	**8,704**	9,353
	971,037	1,010,215

33. FINANCIAL INSTRUMENTS

33.1 Financial assets

	Notes	**December 31, 2023**	March 31, 2023
Non-Derivative Financial Assets			
Financial assets at amortised cost			
Long term investments	10	**38,809**	38,258
Trade receivables	12	**268,838**	285,812
Short term investments	14	**674,056**	394,520
Cash and cash equivalents	15	**349,340**	290,299
Other receivables	13	**4,167**	5,038
Total financial assets		**1,335,210**	1,013,927

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.

33. FINANCIAL INSTRUMENTS (continued)

33.2 Financial liabilities

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Non-Derivative financial liabilities			
Financial liabilities at amortized cost			
Accrued expense and other liabilities	20	**301,004**	298,454
Trade and other payables	19	**322,152**	187,065
Lease liabilities	7	**64,033**	63,944
Dividend payables		**3,697**	3,595
Due to related parties	31	**1,944**	3,391
Total financial liabilities		**692,830**	556,449
Financial liabilities at fair value through profit or loss			
Non-controlling interest put option		**--**	65,163
Total financial liabilities		**692,830**	621,612

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

33.3 Financial instruments carried at fair value

a) Valuation techniques used to determine fair values

The Group has used specific valuation technique to value non-controlling interest put option by using present value of future earnings method.

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33. FINANCIAL INSTRUMENTS (continued)

33.3 Financial instruments carried at fair value (continued)

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

	Non-controlling interest put option	
	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
April 1, 2023	**65,163**	24,229
Net changes in fair value of non-controlling interest put option	**16,162**	39,732
Settlement of put option liabilities	**(88,967)**	--
Exchange differences	**7,642**	1,202
December 31, 2023	**--**	65,163

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.

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34. 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:

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 December 31, 2023 and 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 December 31, 2023 and March 31, 2023, 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 investments 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.

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

Market risk (continued)

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 Group's functional and reporting currency is in Saudi Riyals. The Group's transactions are principally in Saudi Riyals. Management monitors the fluctuations in currency exchange rates and believes that the currency risk is not significant. The Group is not exposed to any significant foreign currency risk from Saudi 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.

Following is the exposure classified into separate foreign currencies:

	Average Rate		Spot Rate	
	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023	**As at December 31, 2023**	As at March 31, 2023
Foreign currency per Saudi Riyal_				
US Dollar	**3.752**	3.752	**3.752**	3.752
Polish zloty	**0.910**	0.830	**0.951**	0.869
Kuwaiti dinar	**12.329**	12.447	**12.368**	12.371
Bahraini dinar	**9.961**	10.006	**9.959**	9.962
Jordanian dinar	**5.373**	5.423	**5.463**	5.297
Qatari riyal	**1.033**	1.035	**1.041**	1.024

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 period / year by Saudi Riyals 0.31 million (March 31, 2023: Saudi Riyals 0.22 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.

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

Credit risk

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

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

	Notes	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Financial assets			
Long term investments	10	**38,809**	38,258
Trade receivables	12	**268,838**	285,812
Short term investments	14	**674,056**	394,520
Cash and cash equivalents	15	**349,340**	290,299
Security deposits and others	13	**4,167**	5,038
		1,335,210	1,013,927

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 December 31, 2023, the Group had five customers that accounted for approximately 48% (March 31, 2023: 47%) of total outstanding trade receivable. Trade receivables outstanding balance comprises 84% (March 31, 2023: 88%) in KSA, 7% (March 31, 2023: 4%) in GCC (other than KSA) and 9% (March 31, 2023: 8%) 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.

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34. 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	**For the nine-month period ended December 31, 2023**	For the year ended March 31, 2023
Impairment / (reversal of) loss on trade receivables	12	**1,246**	(11,419)

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

December 31, 2023	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**
Current (not past due)	**0.03% - 0.26%**	**251,950**	**186**
1–90 days past due	**1.03% - 4.17%**	**10,008**	**116**
90–180 days past due	**4.53% - 16.51%**	**1,462**	**137**
180+ days past due	**17.01% - 19.14%**	**803**	**145**
Specific provision	**84.54%**	**33,632**	**28,433**
	9.74%	**297,855**	**29,017**

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

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

Credit risk (continued)

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

Geographic information	**December 31, 2023**	March 31, 2023
Trade Receivables		
Kingdom of Saudi Arabia	**248,839**	274,594
Poland	**26,069**	16,910
Gulf Cooperation Council (GCC) countries	**13,276**	12,786
Others	**9,671**	9,293
	297,855	313,583

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. 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.

34. 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:

December 31, 2023	**Carrying amount**	**On demand**	**Less than 1 year**	**1 to 5 years**	**More than 5 years**	**Total**
Trade and other payables	**322,152**	**--**	**322,152**	**--**	**--**	**322,152**
Accruals and other liabilities	**301,004**	**--**	**301,004**	**--**	**--**	**301,004**
Dividend payables	**3,697**	**3,697**	**--**	**--**	**--**	**3,697**
Due to related parties	**1,944**	**--**	**1,944**	**--**	**--**	**1,944**
Lease liabilities	**64,033**	**--**	**14,371**	**28,181**	**41,687**	**84,239**
	692,830	**3,697**	**639,471**	**28,181**	**41,687**	**713,036**

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

35. 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.

	For the nine-month period ended December 31, 2023	For the year ended March 31, 2023
Total liabilities	**889,400**	808,636
Cash and cash equivalents	**(349,340)**	(290,299)
Net debt	**540,060**	518,337
Share capital	**325,000**	325,000
Statutory reserve	**162,500**	162,500
Other reserve	**366,811**	334,049
Treasury shares	**(51,559)**	(51,559)
Foreign currency translation reserve	**(11,570)**	(10,401)
Retained earnings	**1,110,349**	893,577
Non-controlling interests	**304**	22,381
Total equity	**1,901,835**	1,675,547
Net debt to equity ratio	**0.28**	0.31

36. 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.

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36. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

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.

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
December 31, 2023				
Long term investments	**38,000**	**--**	**--**	**38,000**
Assets held for sale	**--**	**1,205**	**--**	**1,205**
March 31, 2023				
Long term investments	38,483	--	--	38,483
Non-controlling interest put option	--	65,163	--	65,163

** The fair value of the assets held for sale is determined based on the subsequent selling price of the asset.*

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.

36. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

December 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 investments	**38,809**	**--**	**--**	**38,809**
Trade receivables	**268,838**	**--**	**--**	**268,838**
Short term investments	**674,056**	**--**	**--**	**674,056**
Cash and cash equivalents	**349,340**	**--**	**--**	**349,340**
Other receivables	**4,167**	**--**	**--**	**4,167**
Financial liabilities measured at fair value				
Non-controlling put option	**--**	**--**	**--**	**--**
Financial liabilities not measured at fair value				
Accrued expenses and other liabilities	**301,004**	**--**	**--**	**301,004**
Trade and other payables	**322,152**	**--**	**--**	**322,152**
Lease liabilities	**64,033**	**--**	**--**	**64,033**
Dividend payables	**3,697**	**--**	**--**	**3,697**
Due to related parties	**1,944**	**--**	**--**	**1,944**

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 investments	38,258	--	--	38,258
Trade receivables	285,812	--	--	285,812
Short term investments	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

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37. DIVIDENDS

In the Extraordinary General Assembly Meeting of the Company held on August 22, 2023, the shareholders approved final dividend of Saudi Riyals 3 per share (March 31, 2023: Saudi Riyals 3 per share) amounting to Saudi Riyals 96 million (March 31, 2023: Saudi Riyals 96 million).

38. CONTINGENCIES, COMMITMENTS AND OTHER INFORMATION

38.1 Contingencies

- As at December 31, 2023, the banks have issued letter of guarantees on behalf of Group amounting to Saudi Riyals 2 million (March 31, 2023: Saudi Riyals 1.4 million) for various business needs.

38.2 Commitments and other information

- As at December 31, 2023, the Group has outstanding commitments for future capital expenditures amounting to Saudi Riyals 64.8 million (March 31, 2023: Saudi Riyals 24.6 million).

39. SUBSEQUENT EVENTS

The Board of directors of the Group, in their meeting held on December 11, 2023, approved to sell its 49% shares in its equity accounted investee i.e. Mlekoma Dairy Sp. z o.o. On January 29, 2024, the Group has sold its investment in equity accounted investee at Saudi Riyals 1.2 million.

The Board of directors of the Group in their meeting held on February 27, 2024 approved the distribution of dividend at Saudi Riyals 6 per share, amounting to Saudi Riyals 192 million. The consolidated financial statements for the period ended December 31, 2023, do not include the effect of these appropriations which will be accounted for in the consolidated financial statements for the year ending December 31, 2024.

Except for above, there have been no significant subsequent events since the period end up to and including the date of the approval of these consolidated financial statements by the Board of Directors that would require disclosures or adjustments in these consolidated 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 ----.

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