



Solvency Report





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 الأمير سلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Limited Assurance Report to Saudia Dairy and Foodstuff Company (SADAFCO) on Schedule of Financial Information relating to Company's compliance with Article 17 from Part 6 Chapter 1, Clause 3 of the Implementing Regulation of the Companies Law for Listed Joint Stock Companies issued by the Capital Market Authority

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

We were engaged by the management of Saudia Dairy and Foodstuff Company (SADAFCO) (the "Company") to report on schedule of financial information relating to the Company's compliance with Article 17 from Part 6 Chapter 1, Clause 3 of the Implementing Regulation of the Companies Law for Listed Joint Stock Companies issued by the Capital Market Authority that will be approved by the shareholders at the extraordinary general meeting as detailed below ("Subject Matter") and the accompanying management's statement thereon as set out in Appendix 1, in the form of an independent limited assurance conclusion that based on our work performed and evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter is not properly prepared, in all material respects, based on the applicable criteria ("Applicable Criteria") below.

Subject Matter

The Subject Matter for our limited assurance engagement is related to the submission of the Schedule of financial information prepared by the Company, pertaining to the Company's compliance with the solvency requirements in connection with Article 17 from Part 6 of Chapter 1, Clause 3 of the 'Implementing Regulation of the Companies Law for Listed Joint Stock Companies' ("Schedule") issued by the Capital Market Authority, to the shareholders of the Company, as part of the extraordinary general meeting package along with other information contained therein, for a share buy-back transaction which the Company intends to execute during the fiscal year 2024.

Applicable Criteria

We have used the Applicable Criteria in accordance with Article 17 from Part 6 of Chapter 1, Clause 3 of the 'Implementing Regulation of the Companies Law for Listed Joint Stock Companies' relating to share buy back, issued by the Capital Market Authority as follows;

1. Prior to buying the shares, the Company must have sufficient working capital for the twelve (12) months immediately following the date of completion of the share buy-back transaction at 31 December 2024.
2. The value of the Company's total assets must not be less than the value of its total liabilities (including total contingent liabilities), prior to and immediately upon payment of the purchase price, according to the latest reviewed interim financial statements for the period ended 30 June 2024.
3. The amount of Treasury Shares held must not exceed the amount of the retained profits of the Company at 30 June 2024.

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia with a paid-up capital of SAR70,000,000 and a non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. Commercial Registration of the headquarters in Riyadh is 1010425494.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأسمالها (70,000,000) ريال سعودي مدفوع بالكامل، وهي عضو غير شريك في الشبكة العالمية للشركات كي بي إم جي المستقلة التابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. رقم السجل التجاري للمركز الرئيسي في الرياض هو 1010425494.



Independent Limited Assurance Report

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

Management Responsibility

The Management of the Company is responsible for the preparation and appropriate presentation of the Subject Matter in accordance with the Applicable Criteria and for the information contained therein. The management the Company is also responsible for preparing the Subject Matter information (i.e. Appendix 1).

This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of the Subject Matter that information is free from material misstatement, whether due to fraud or error. It also includes selecting the Applicable Criteria and ensuring that the Company has in place the design, implementation and effectively operating controls to achieve the stated control objectives; selecting and applying policies; making judgments and estimates that are reasonable in the circumstances; and maintaining adequate records in relation to the Subject Matter information.

The management of the Company is also responsible for preventing and detecting fraud and for identifying and ensuring that the Company complies with laws and regulations applicable to its activities. The management of the Company is responsible for ensuring that staff involved with the preparation of the Subject Matter information are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

Further, the Company's management is responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the Subject Matter that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records and making estimates that are reasonable in the circumstances.

Our Responsibility

Our responsibility is to examine the Subject Matter information prepared by the Company and to report thereon in the form of an independent limited assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" endorsed in the Kingdom of Saudi Arabia and the terms and conditions for this engagement as agreed with the Company's management. That standard requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether the Subject Matter information is properly prepared, in all material respects, as the basis for our limited assurance conclusion.

The firm applies International Standard on Quality Management 1 which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our understanding of the Subject Matter and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise.

In obtaining an understanding of the Subject Matter and other engagement circumstances, we have considered the process used to prepare the Subject Matter information in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's process or internal control over the preparation and presentation of the Subject Matter information.

Our engagement also included: assessing the appropriateness of the Subject Matter, the suitability of the criteria used by the Company in preparing the Subject Matter information in the circumstances of the engagement, evaluating the appropriateness of the procedures used in the preparation of the Subject Matter information and the reasonableness of estimates made by the Company.



Independent Limited Assurance Report

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

Our Responsibility (continued)

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. We did not perform procedures to identify additional procedures that would have been performed if this were a reasonable assurance engagement.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Subject Matter information nor of the underlying records or other sources from which the Subject Matter information was extracted.

Summary of Procedures

The procedures performed in a limited assurance engagement vary in nature and timing, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the Subject Matter, nor of the underlying records or other sources from which the Subject Matter was extracted. Accordingly, we do not express such an opinion.

Our procedures include, but are not limited to:

- 1 Obtain from the management of the Company the Board of Director's resolution number (BD/10/9/24) ("the resolution") and ensured that it includes the Board of Director's decision to proceed with the share buy-back transaction and is in compliance with the Company's by-laws.
- 2 Obtain from the management the Schedule of financial information pertaining to the Company's compliance with the solvency requirements as attached in appendix III, comprising the following:
 - a) The forecasted working capital of the company for 12 months immediately following the proposed date of share buyback 31 December 2024.
 - b) The balances of the total assets, total liabilities and total contingent liabilities of the Company outstanding as of 30 June 2024.
 - c) Balance of retained earnings of the company, balance of treasury shares after the proposed buy-back and excess of the balance of retained earnings over balance of treasury shares.

With respect to (a):

- 1 Verify the arithmetical accuracy of the calculation of the forecasted working capital for 12 months immediately following the proposed date of share buy-back by recalculating the forecasted working capital for 12 months immediately following the proposed date of share buy-back.

With respect to (b):

- 1 Obtain the closing market price per share of the Company as on 14 November 2024 from Saudi Stock Exchange i.e., Tadawul, and compare the same with the closing market price used by management to estimate the purchase cost of the share buy-back.
- 2 Compare the balances of total assets, total liabilities and total contingent liabilities with the reviewed financial statements of the Company as at and for the period ended 30 June 2024.
- 3 Verify the arithmetical accuracy of the computation of the surplus assets as reported in the schedule therein (being the amount of assets remaining after deduction of liabilities, contingent liabilities and estimated cost of proposed share buy-back).



Independent Limited Assurance Report

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

Summary of Procedures (continued)

With respect to (c):

- 1 Compare the balance of retained earnings of the Company as disclosed in the Schedule with the balance of retained earnings as per the reviewed financial statements of the Company for the period ended 30 June 2024 as mentioned in step 1 above.
- 2 Verify the arithmetical accuracy of the calculation of the balance of retained earnings of the Company net of treasury shares balance after the buy-back of such treasury shares.

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Subject Matter information is not prepared, in all material respects, in accordance with the Applicable Criteria.

Restriction of Use of Our report

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Company and CMA for any purpose or in any context. Any party other than the Company and CMA who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Company and CMA for our work, for this independent limited assurance report, or for the conclusions we have reached.

Our report is released to the Company and CMA on the basis that it shall not be copied, referred to or disclosed, in whole (save for the Company's own internal purposes) or in part, without our prior written consent.

KPMG Professional Services

Abdullah Oudah Altaghafi
License No. 455



Jeddah, 14 November 2024
Corresponding to 12 Jumada Al Awal 1446H

Saudia Dairy and Foodstuff Company (SADAFCO)
Schedule of Financial Information relating to Company's compliance with Article 17 from Part 6
Chapter 1, Clause 3 of the Implementing Regulation of the Companies Law for Listed Joint Stock
Companies issued by the Capital Market Authority

a. Adequacy of the working capital

The proposed date for the share buy-back is December 31, 2024.

The forecasted working capital as at December 31, 2025 (i.e. post 12 months following the proposed date of the share buy-back transaction):

	Amount in SR "million"
Working capital as at December 31, 2025 (forecasted)	982

b. Summary of the assets and liabilities as at June 30, 2024

	As at June 30, 2024 Amount in SR "million"
Total Assets	2,733
Total Liabilities	(961)
Total contingent liabilities	(2)
Net Asset	<u>1,770</u>
Estimated Cost of the treasury shares to be purchased (1,000,000 * 345) [Maximum shares to be purchased (1,000,000 shares) * Estimated purchase price per share (SR 345)]	<u>(345)</u>
Net Assets after share buy-back	<u>1,425</u>

c. Treasury shares

	As at June 30, 2024 Amount in SR "million"
Retained earnings	955
Estimated Cost of the treasury shares to be purchased	(345)
Retained profits after the share buy-back	<u>610</u>

This appendix should be read in conjunction with our factual finding report, dated November 14, 2024, issued vide an engagement letter between KPMG Professional Services and Saudia Dairy and Foodstuff Company Limited, dated November 14, 2024.


Chief Executive Officer


Chief Financial Officer