THE NATIONAL AGRICULTURAL DEVELOPMENT COMPANY (NADEC)

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

31 DECEMBER 2018

The NATIONAL AGRICULTURAL DEVELOPMENT COMPANY (NADEC)
(A SAUDI JOINT STOCK COMPANY)

INDEX

KPMG

KPMG Al Fozan & Partners
Certified Public Accountants
KPMG Tower
Salahudeen Al Ayoubi Road
P. O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia

Telephone +966 11 874 8500
Fax +966 11 874 8600
Internet www.kpmg.com/sa

License No. 46/11/323 issued 11/3/1992

Independent auditor's report

To the Shareholders of National Agricultural Development Company

Opinion

We have audited the financial statements of National Agricultural Development Company ("the Company") (Saudi Joint Stock Company), which comprise the statement of financial position as at 31 December 2018, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public 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 Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Independent auditor's report

To the Shareholders of National Agricultural Development Company *(continued)*

Revenue recognition	
See Note: 3 for the accounting policy relating to revenue recognition and Note: 6 for the related disclosures.	
Key audit matter	**How the matter was addressed in our audit**
As at 31 December 2018, the Company recognised total revenue of SR 2.10 billion (2017: SR 2.03 billion). The Company's sales arrangements are being on point of sales basis with the right of return provided to customers in case of expiry of product sold. Revenue recognition is considered as a key audit matter since revenue is key measure of the Company's performance and there is a risk that revenue may be overstated resulting from the pressure management may feel to achieve performance targets and may recognize revenue before the transfer of risk and rewards under various arrangements.	Our audit procedures in this area, included among others: - Considering the appropriateness of the Company's revenue recognition accounting policies, including method of estimating the sales return and assessed the compliance with the policies in terms of applicable accounting standards; - Obtaining an understanding of the process followed by management for recognition of revenue, and assessed the design and tested the implementation of operating effectiveness of management's key internal controls over the revenue recognition process; - Evaluating key contractual arrangements including rebates and returns arrangements by considering relevant documentations and agreements with the customers; - Testing a sample of sales transactions during the year and inspecting the underlying goods delivery and acceptance notes to assess compliance with Company's revenue recognition accounting policy; - Testing a sample of manual journals posted to revenue to identify unusual or irregular items; - Testing Calculation of sales return provision at year end to assess its compliance with company policy for sales return provision; - Obtaining, on a sample basis, accounts receivable balance confirmations from the Company's customers; and - Inquiring of management at different levels to evaluate their knowledge of fraud risk and identify any actual fraud instances noted in recognition of revenue.

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Independent auditor's report

To the Shareholders of National Agricultural Development Company *(continued)*

Agriculture sector specific Cash Generating Units impairment.

See Note: 3 for the accounting policies relating to property, plant and equipment, impairment of non-financial assets and Note 13 for the property, plant and equipment disclosure.

Key audit matter	How the matter was addressed in our audit
As per the government directive, the Company is not be able to grow any forage products inside the Kingdom of Saudi Arabia after the end of 2018 which impairs the Company's ability to use plant and machinery and agricultural assets over their entire useful life. Accordingly, an assessment for impairment was carried out by management which includes a comparison of the carrying value of the non-financial assets of the cash-generating-unit ("CGU") producing forage inside Kingdom of Saudi Arabia to the recoverable amount of the CGU. Management has used the value in use (VIU) model, to determine the recoverable amount, under which the future cash flows relating to the relevant CGU were discounted and compared to its carrying amounts. VIU model requires input of several key assumptions, including estimates of future sales volumes, prices, operating costs, terminal value, growth rates and discount rates. We considered this as the key audit matter due to the significant judgment and the key assumptions involved in the impairment assessment process.	Our audit procedures in this area, included among others: - Evaluating the identification of CGUs within the Company against the requirements of the applicable accounting standards. - Considering the basis of the valuation methodologies used in determining the VIU of the CGUs. - Involving our specialist to test the key assumptions used in the management's VIU calculation. - Assessing the reasonableness of management key assumptions used in the cash flow projections. We also assessed the reasonableness of the growth rates, terminal yield rates and discount rates by comparing these against externally derived data. - Comparing the historical information related to selling prices with the outstanding contracts with company's main clients. - Checking the accuracy and completeness of the information produced by management, which was used for the basis of the impairment assessment; and - Considering the adequacy of the Company's disclosures in terms of applicable 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 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 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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Independent auditor's report

To the Shareholders of National Agricultural Development Company *(continued)*

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Company'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 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 Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 National Agricultural Development Company ("the Company").

Independent auditor's report

To the Shareholders of National Agricultural Development Company *(continued)*

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 Al Fozan & Partners
Certified Public Accountants

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KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Abdullah Hamad Al Fozan
License No.: 348

Riyadh on: 24 Rajab 1440H
Corresponding to: 31 March 2019

	Note	31 December 2018 SAR	31 December 2017 SAR
Assets			
Non-Current Assets			
Property, Plant and Equipment	13	2,142,232,958	2,313,655,521
Capital Work in Progress	18	194,810,072	210,071,810
Biological Assets	14	514,294,402	482,372,981
Intangible Assets	15	8,003,696	9,566,440
Equity Investment at FVOCI	17	8,249,000	4,324,000
Prepayments	21	2,404,286	2,712,537
Total Non-Current Assets		**2,869,994,414**	**3,022,703,289**
Current Assets			
Biological Assets	16	42,083,210	34,698,907
Inventory	19	558,116,967	632,157,879
Biological Assets - Held for Sale	20	22,026,090	22,525,130
Trade Receivables, Prepayments and Other Receivables	21	435,093,240	341,344,197
Cash and Bank Balances	22	35,219,477	40,719,547
Total Current Assets		**1,092,538,984**	**1,071,445,660**
Total Assets		**3,962,533,398**	**4,094,148,949**
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Share Capital	23	847,000,000	847,000,000
Statutory Reserve	24	180,673,185	180,499,041
Other Reserve	26	19,113,701	(80,787)
Retained Earnings		399,466,374	397,899,078
Total Shareholders' Equity		1,446,253,260	1,425,317,332
Non-Current Liabilities			
Murabaha Long-Term Loans	27	658,517,932	1,073,893,414
Deferred Income		6,726,369	15,773,301
Employee Benefits Obligation	29	164,818,261	166,876,242
Total Non-Current Liabilities		830,062,562	1,256,542,957
Current Liabilities			
Trade and Other Payables	30	442,393,892	404,886,418
Murabaha Short term Loans	27	754,892,275	491,364,358
Murabaha and Long-Term Loans - Current Portion	27	420,990,497	450,617,496
Dividend Payables	25	33,618,115	33,842,272
Provision for Zakat	28	34,322,797	31,578,116
Total Current Liabilities		1,686,217,576	1,412,288,660
Total Liabilities		2,516,280,138	2,668,831,617
Total Shareholders' Equity and Liabilities		3,962,533,398	4,094,148,949

The accompanying notes 1 to 35 are an integral part of these financial statements
These financial statements appearing on pages (6) to (45) were approved by the Board of Directors and were signed on its behalf by

Naseer

Syed Mohammad Naseer Ali Chief Financial Officer	Eng. Abdulaziz Bin Mohamed Al Babtain Chief Executive Officer	Mazen Ahmed Alljubeir Chairman

	Note	31 December 2018 SAR	31 December 2017 SAR
Revenue	6	2,096,026,044	2,032,483,459
Cost of Sales	7	(1,320,946,044)	(1,301,399,725)
Gross Profit		**775,080,000**	**731,083,734**
Selling and Distribution Expenses	8	(525,577,659)	(548,304,184)
General and Administrative Expenses	9	(119,033,145)	(100,172,338)
Impairment Losses on Trade Receivables	21	(6,679,759)	(530,565)
Other Income, net	10	1,158,922	15,546,111
Impairment losses on Property, Plant and Equipment	13	(52,674,671)	-
Total Expenses		**(702,806,312)**	**(633,460,976)**
Operating Profit		**72,273,688**	**97,622,758**
Finance cost	11	(67,598,620)	(59,917,501)
Profit before Zakat		**4,675,068**	**37,705,257**
Zakat	28	(2,933,628)	2,236,164
Profit for the period		**1,741,440**	**39,941,421**
Earnings per share			
Profit for the period attributable to ordinary shareholders	12	1,741,440	39,941,421
Basic and Diluted		0.02	0.47

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Naseer

Syed Mohammad Naseer Ali Chief Financial Officer	Eng. Abdulaziz Bin Mohamed Al Babtain Chief Executive Officer	Mazen Ahmed AlJubeir Chairman

	Note	31 December 2018 SAR	31 December 2017 SAR
Profit for the year		1,741,440	39,941,421
Items that will not be reclassified to Profit or Loss			
Revaluation gain/(loss) in Defined Benefit Plans	29	15,269,488	(39,356)
Movement in Equity Investment at fair value through Other Comprehensive Income (FVOCI)	17	3,925,000	-
Total Items that will not be reclassified to Profit or Loss		19,194,488	(39,356)
Items that are/ or may be reclassified subsequently to profit			
Changes in fair value of Available for Sale Investment	17	-	(5,984,000)
Total Items that are/ or may be reclassified subsequently to profit or loss		-	(5,984,000)
Total other comprehensive income / (Loss)		19,194,488	(6,023,356)
Total Comprehensive Income for the year		20,935,928	33,918,065
Attributable to Ordinary Shareholders'		20,935,928	33,918,065

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Naseer

Syed Mohammad Naseer Ali
Chief Financial Officer

Eng. Abdulaziz Bin Mohamed Al Babtain
Chief Executive Officer

Mazen Ahmed AlJubeir
Chairman

The National Agricultural Development Company (NADEC)
A Saudi Joint Stock Company
Statement of Changes in Shareholders' Equity for the year ended 31 December 2018

	Share Capital	Statutory Reserves	Other Reserves	Retained Earnings	Total Shareholders' Equity
	-SAR-				
Balance at 1 January 2018	847,000,000	180,499,041	(80,787)	397,899,078	1,425,317,332
Profit for the period	-	-	-	1,741,440	1,741,440
Other Comprehensive Income for the period	-	-	19,194,488	-	19,194,488
Total Comprehensive Income	-	-	19,194,488	1,741,440	20,935,928
Transfer to Statutory Reserve	-	174,144	-	(174,144)	-
Other Reserves	-	-	-	-	-
Transactions with Shareholders'	-	174,144	-	(174,144)	-
Balance at 31 December 2018	847,000,000	180,673,185	19,113,701	399,466,374	1,445,253,260
Balance at 1 January 2017	847,000,000	176,504,899	32,738,000	361,951,799	1,418,194,698
Profit for the period	-	-	-	39,941,421	39,941,421
Other Comprehensive Loss for the period	-	-	(6,023,356)	-	(6,023,356)
Total Comprehensive Income	-	-	(6,023,356)	39,941,421	33,918,065
Transfer to Statutory Reserve	-	3,994,142	-	(3,994,142)	-
Other Reserves	-	-	(26,795,431)	-	(26,795,431)
Transactions with Shareholders'	-	3,994,142	(26,795,431)	(3,994,142)	(26,795,431)
Balance at 31 December 2017	847,000,000	180,499,041	(80,787)	397,899,078	1,425,317,332

The accompanying notes 1 to 35 are an integral part of these financial statements

These financial statements appearing on pages (6) to (45) were approved by the Board of Directors and were signed on its behalf by

Naseer

Syed Mohammad Naseer Ali
Chief Financial Officer

Eng. Abdulaziz Bin Mohamed
Al Babtain
Chief Executive Officer

Mazen Ahmed AlJubeir
Chairman

	Note	31 December 2018 SAR	31 December 2017 SAR
Cash flows from Operating Activities			
Profit for the year		**1,741,440**	**39,941,421**
Adjustments for			
Depreciation	13-14	269,554,663	326,676,813
Amortization	15	2,892,195	2,304,294
Zakat Expense	28	5,054628	5,457,274
Zakat reversal	28	(2,121,000)	(7,693,438)
Realized deferred income		(9,046,933)	(2,429,200)
Employee Benefits Obligations (End of Service)	29	36,435,835	23,008,111
Impairment of Trade Receivables	21	6,679,759	530,565
Inventory Provision movement, net	19	(4,281,781)	(315,500)
Finance Cost	11	67,598,620	59,917,501
Loss on sale of Property Plant and Equipment and Biological Assets		23,100,149	27,605,917
Profit on sale of Available for Sale Investment		-	(22,000,000)
Impairment loss of Property, Plant and Equipment	13	52,674,671	-
		450,282,246	**453,003,758**
Changes in			
Inventory and Biological Assets - Held for Sale		78,821,732	(71,364,768)
Biological Assets		(7,384,303)	1,759,047
Trade Receivables, Prepayments and Other Receivables		(100,120,551)	(13,622,612)
Trade and Other Payables		37,507,474	(176,204,256)
		459,106,598	**193,571,169**
Zakat Paid	28	(188,947)	(1,344,377)
Employee Benefits Paid	29	(23,224,328)	(22,254,107)
Net Cash Generated from Operating Activities		**435,693,323**	**169,972,685**
Cash flows from Investing Activities			
Acquisition of Property, Plant and Equipment and Biological Assets	13-15	(244,928,115)	(427,723,251)
Proceed from sales of Property, Plant and Equipment and Biological Assets		53,032,063	49,039,183
Proceed from sale of Available for Sale Investment		-	25,000,000
Net Cash Used in Investing Activities		**(191,896,052)**	**(353,684,068)**
Cash flows from Financing Activities			
Proceeds from Murabaha		78,138,897	541,792,096
Repayment of Murabaha		(262,347,754)	(313,976,238)
Finance Cost Paid		(64,864,327)	(62,795,273)
Dividend Paid		(224,157)	(14,417)
Net Cash (Used in)/ Generated from Financing Activities		**(249,297,341)**	**165,006,168**
Net Change in Cash and Cash Equivalents		**(5,500,070)**	**(18,705,215)**
Cash and Cash Equivalents at the beginning of the year	22	40,719,547	59,424,762
Cash and Cash Equivalents at the end of the year		**35,219,477**	**40,719,547**

The accompanying notes 1 to 35 are an integral part of these financial statements

These financial statements appearing on pages (6) to (45) were approved by the Board of Directors and were signed on its behalf by

Naseer

Syed Mohammad Naseer Ali Chief Financial Officer	Eng. Abdulaziz Bin Mohamed Al Babtain Chief Executive Officer	Mazen Ahmed AlJubeir Chairman

1. The Company and its Operations

The National Agricultural Development Company (NADEC) (the "Company") a Saudi Joint-Stock Company, formed under the Royal Decree No. M/41 dated 17 Shawwal 1401H (corresponding to 17 August 1981) and registered in Riyadh under Commercial Registration No. 1010018795 dated 26 Dhul-Hijjah 1398H (corresponding to 26 November 1978).

The Company is principally engaged in agricultural and livestock production, reclamation of agricultural land, food processing and marketing of its products.

The Company's financial year begins on January 1 and ends at the end of December of the same year.
The Company's registered office is located at the following address:
Riyadh - Kingdom of Saudi Arabia
P.O. Box 2557 Riyadh 11461

2. Basis of Preparation

2.1 Statement of Compliance

These annual Financial Statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").
As required by the Capital Market Authority ("CMA") through its circular dated 16 October 2016 the company must apply the cost model to measure the property, plant and equipment and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

2.2 Basis of Measurement

These annual Financial Statements have been prepared in accordance with historical cost except for the following significant items included in the Statement of Financial Position

- Equity Investment at FVOCI is valued at fair value in accordance with the requirements of IFRS 13 second level of valuation method.
- Biological Assets, for which market is available or can be measured reliably are valued at Fair value, where fair value is not available or cannot be measured reliably, these are recognised at cost.
- Employee defined benefit obligations is recognised at the present value of future obligations in accordance with the benefit plan.

2.3 Functional and Presentation Currency

These annual Financial Statements have been presented in Saudi Riyal ("SAR") which is also the functional currency of the Company.

2.4 When necessary, prior year comparatives have been regrouped on a basis consistent with current year classification.

3. Significant Accounting Policies

A. New Standards and Amendments Issued and not yet effective:

Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not opted for early adoption of the same in preparing these annual Financial Statements.

1. IFRS 16 Leases

IFRS 16 "Leases" introduces a single accounting model for on-balance sheet leases for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.
IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

3. Significant Accounting Policies – (Continued)

A. New Standards and Amendments Issued and not yet effective: - (Continued)

The standard is effective for annual periods beginning on or after 1 January 2019 and earlier adoption is permitted for companies that apply IFRS 15 Revenue from Contracts with Customers on or before the date of initial application of IFRS 16.

The Company has commenced an initial assessment of the potential impact on its Financial Statements. Thus far, the most significant impact identified is that the Company will recognise the new assets and liabilities for its operating leases of distribution trucks, warehouses and offices on lease.

In addition, the nature of expenses related to those leases will now change because IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Transition

The Company has decided to apply the modified retrospective approach. Under this approach, the comparable figures for the previous year are not restated and all adjustments of adoption will be made as of 1 January 2019. The Company will use the following practical expedients that are available under modified retrospective approach.

- Exclusion of leases with remaining term of less than 12 months or less as of the date on initial application
- Exclusion of initial direct cost from the value of ROU assets

The Company has elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will, therefore, not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company has elected to use the recognition exemptions allowed by the standard on lease contracts with a lease terms of 12 months or less and also where lease contracts for which the underlying asset is of low value.

The Company is currently working to determine the expected IFRS 16 implementation impact on assets, liabilities, and equity. The Company's implementation work is progressing according to plan."

2. Other Amendments

The new or revised standards below are not expected to have a significant impact on the Company's annual Financial Statements:

- Annual Improvements to IFRSs 2014-2016 Cycle (Amendments to IFRS 1 and IAS 28).
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Transfer of Investment Property (Amendments to IAS 40).
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

3. New Standards and Amendments issued but not effective

The following amendments to standards are not yet effective and neither expected to have a significant impact on the Company's Financial Statements:

- Annual Improvements to IFRSs (2015-2017), Amendments to IFRS 3 and 11 and IAS 12 and 23.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (amendments to IAS 28).
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)
- IFRIC 23 Uncertainty over Income Tax treatments.
- IFRS 17 Insurance Contracts.

3. Significant Accounting Policies – (Continued)

B. Changes in Significant Accounting Policies due to initial applications of new standards

The Company has applied IFRS 9 Financial Instruments (see B-1 below) and IFRS 15 Revenue from Contracts with Customers (see B-2 below) effective 1 January 2018, using modified retrospective approach, accordingly there is no impact on the comparative numbers.

The effect of applying these standards is mainly attributed to the following:

- an increase in impairment losses recognised on financial assets (Note B-1 below); and
- Presentation of Revenue net off sales return (Note B-2 below)

B-1 IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

1. Classification and measurement of financial assets and financial liabilities

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

The adoption of IFRS 9 has not had a material impact on the Company's accounting policies in respect of financial liabilities.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

The classification of financial assets in accordance with IFRS 9 is usually based on the business model by which financial assets are managed and the characteristics of their cash flows.

Financial assets are measured at amortized cost if they satisfy either of the following two conditions and are not measured at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI (Fair Value through Other Comprehensive Income) if it meets both of the following conditions and is not designated as at FVTPL (Fair Value through Profit or Loss):

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial Asset	Subsequent measurement
Financial assets carried at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see Paragraph 2 Note B-1). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

3. **Significant Accounting Policies – (Continued)**

B. Changes in Significant Accounting Policies – (Continued)

B-1 IFRS 9 Financial Instruments – (Continued)

The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Company's financial assets as at 1 January 2018.

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets			SAR	SAR
Equity Investment	Available for sale investments	Equity Investment at FVOCI	4,324,000	4,324,000
Trade and Other Receivables	Loans and Receivables	Amortized cost	288,886,682	288,886,682
Cash and Bank Balances	Loans and Receivables	Amortized cost	40,719,547	40,719,547
			333,930,229	333,930,229

2. Impairment of Financial Assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost. According to IFRS 9 all recognised loss under IAS 39 should be continued to be recognised. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Credit-impaired Financial Assets

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is credit impaired and the financial asset or group of financial assets is "credit impaired" only if there is objective evidence of impairment because of one or more events that are expected to occur (expected loss event). The loss event has an impact on the expected future cash flows of the financial asset or group of financial assets that can be estimated reliably.

Presentation of Impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade receivables are presented separately in the Statement of Profit or Loss. As a result, the Company reclassified impairment losses amounting to SAR 530.5 thousand, recognised under IAS 39, from 'Selling and Distribution Expense' to 'impairment loss on trade receivables in the Statement of Profit or Loss for the year ended 31 December 2017.

3. Transition

In accordance with International Financial Reporting Standards, any change in accounting policies requires the application of changes retrospectively. The Company has taken the exemptions permitted by the Standard upon initial application by recognizing differences in the carrying amounts of financial assets and financial liabilities arising from the application of IFRS 9 in retained earnings on 1 January 2018.

3. Significant Accounting Policies – (Continued)

B. Changes in Significant Accounting Policies – (Continued)

B-2 IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Company recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgement of goods, which is in line with the requirements of IFRS 15. Accordingly, there is no material impact of adopting 'IFRS 15 Revenue from Contracts with Customers' on the recognition of Company's Revenue.

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's sale of goods are as follows:

Type of Product	The nature, timing of satisfaction of performance obligations, significant payment terms	The nature of the change in accounting policy
Dairy products and cheeses, juices, animals feed and other agricultural crops	Customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated, and revenue is recognised at that point in time. Credit invoices are usually payable within 30 - 60 days. Invoice is generated and recognised as revenue net off applicable discounts which relate to the items sold. No customer loyalty points are offered to customers and therefore there is no deferred revenue to be recognised for the items sold. For contracts that permit the customer to return an item, under IFRS 15 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. Returned goods are not useable and scrapped by the Company and related liability is recorded in 'Other Payables'.	Under IAS 18, revenue for contracts with customers was also recognised when the goods were delivered to and were accepted by the customers at their premises and a reasonable estimate of sales return could be made. Sales return estimate was also recorded in Other payables.

Transition

The Company has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 January 2018). The Company has applied all the requirements of IFRS 15 for the period presented and the Company has not adjusted its Financial Statements for the comparative periods presented in accordance with the available exemptions. The Company has used the practical means of the completed contracts, which means that the completed contracts that started and ended in the same comparison period have not been modified.

Implications of the application of the IFRS 15

The application of the requirements of the IFRS 15 has not resulted in any differences that require modification in current period or for the prior period presented in the Financial Statements, except for the amendment of significant accounting policies to the extent that the Company applies IFRS 15 as from 1 January 2018.

C. Cash and Cash Equivalents

Cash and cash equivalents consist of Cash on hand, Cash with banks and other short-term liquid investments/ deposits with original maturities of three months or less which are available to use without any restrictions.

D. Trade and Other Receivables

Trade and Other receivables are stated at fair value less Expected Credit Loss as per IFRS 9. Bad debts once identified are written off against the related provisions.

3. Significant Accounting Policies – (Continued)

E. Inventories

Inventories are measured at the lower of cost or net realisable value. Cost is determined using the weighted average method. Inventory cost includes costs of purchase (including taxes, transport, and handling etc.) net of trade discounts received, costs of conversion (including fixed and variable manufacturing overheads) and any other costs incurred in bringing the inventories to their present location and condition. Provision is made, when necessary, for obsolete, slow moving and defective inventory.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

F. Property, Plant and Equipment

Property, Plant and Equipment are recognised as assets if, and only if:

a. It is probable that future economic benefits associated with the item will flow to the entity; and
b. The cost of the item can be measured reliably.

Property, Plant and Equipment are initially recognised at cost and subsequently stated at cost, net of accumulated depreciation and/or accumulated impairment loses, if any. Subsequent and additional costs to existing asset are included in the asset's carrying amount or recognised as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Finance costs on borrowings, to finance the construction of the qualifying assets, are capitalized during the period that is required to substantially complete and prepare the qualifying asset for its intended use. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repair and maintenance costs are recognised in the profit or loss when incurred. The items of property, plant and equipment are subject to impairment test whenever there is a substantial evidence for impairment. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets (except for land) as follows:

Description	Number of years
Concrete Buildings	50
Pre-fabricated Building	5-10
Wells and Civil works	7-50
Machinery and Equipment	7-25
Tanks and Silos	7-30
Agricultural Equipment	8-25
Vehicles and Trucks	4-8
Tools	5-10
Office Furniture	5-10
Bearer Plants	20
Leasehold Improvements	As per Lease Agreement

Property, Plant and Equipment are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss during the period when the asset is de-recognised.

3. Significant Accounting Policies – (Continued)

F. Property, Plant and Equipment – (Continued)

The residual values, useful lives and methods of depreciation of Property, Plant and Equipment are reviewed at each financial year end and adjusted prospectively, where appropriate.

G. Capital Work in Progress

Capital Work in Progress is recorded according to acquisition cost plus all direct costs that are incurred on them to bring them to use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

H. Biological Assets

Biological Assets are the herd of productive and non-productive cows as well as the Biological Assets acquired for sale, including crops in the growth stage that have not yet reached the harvest point. Each of these items is presented separately in the Statement of Financial Position.

Biological assets are measured at fair value less cost to sell except when fair value cannot be measured reliably

In case the fair value of biological assets cannot be measured reliably, it is measured at historical cost less accumulated depreciation. The Company's management has not been able to obtain reliable data that can be relied upon as inputs or indicators that support the measurement of biological assets at fair value as per the Income, replacement cost or market approach of IFRS 13 – Fair Value Measurement. If such data are available in the future, the Company will adjust the measurement of the biological assets to fair value rather than cost.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows

Description	Number of years
Biological Assets (Cows)	5

I. Intangible Assets

Internally generated Intangible Assets, excluding capitalized development costs, are not capitalized and the related expenditure is recognised in the Statement of Profit or Loss when it is incurred.

Intangible Asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows;

Description	Number of years
Licenses	5-10
Accounting software and other programs	5-10

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Profit or loss Statement in the expense category consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Profit or loss Statement when the asset is derecognised.

J. Trade and Other Payables

Trade and Other payables are recognised based on the net payable amount or the expected payment for goods and services received whether invoiced by supplier or not.

3. Significant Accounting Policies – (Continued)

K. Provisions

Provision is recognised if, and only if a present obligation (legal or constructive) has arisen as a result of a past event (the obligating event), payment is probable ('more likely than not'), and when the amount can be estimated reliably. An obligating event is an event that creates a legal or constructive obligation and, therefore, results in an entity having no realistic alternative but to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a Contingent Liability, unless the probability of outflow of economic benefits is unreliable. Contingent liabilities, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company, are not recognised in the financial statements but are disclosed as Contingent Liabilities unless the possibility of an outflow of economic resources is considered unreliable.

L. Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement transfers a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a Lessee

Finance leases that transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability. Finance Charges are recognised in Finance Costs in the profit or loss Statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An Operating Lease is a lease in which operating lease payments are recognised as operating expenses in the profit or loss Statement on a straight-line basis over the lease term

M. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) form part of the cost of that asset. No borrowing costs are capitalised during idle periods.

All other borrowing costs are recognised as an expense in the Statement of Profit or Loss.

N. Segment Reporting

An operating segment is a group of assets and processes that deliver products or services that are subject to risks and rewards that differ from those of other operating segments. Operating segments are segmented according to their geographical scope and each sector's performance is reviewed by the Company's decision makers. These sectors may operate within a specific economic environment that is subject to risks and rewards different from those of sectors operating in other economic environments.

3. Significant Accounting Policies – (Continued)

O. Government Grants

Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that, the entity will comply with the conditions attaching to them; and the grants will be received. When the grant relates to an expense item, it is recognised in Statement of Profit or Loss on a systematic basis over the periods that the costs which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognised on Statement of Financial Position as Deferred Income and is amortized in equal amounts over the expected useful life of the related asset.

The Company has elected to present the grant in the Statement of Financial Position as deferred income, which is recognised in profit or loss Statement on a systematic and rational basis over the useful life of the asset. When the Company receives grants of non-monetary assets, the asset and the grant are recorded at nominal amounts and released to Statement of Profit or Loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset.

The benefit of a Government loan at a below-market rate of interest is treated as a Government Grant. The loan is recognised and measured in accordance with IFRS 9 – Financial Instruments.

P. Statutory Reserve

In accordance with Company's Articles of Association and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its Net Income (Profit for the year) to a statutory reserve until such reserve equals 30% of its Share Capital. This Statutory Reserve is not available for distribution to shareholders. However, it can be used to cover the Company's losses or to increase its Capital.

Q. Impairment of Non-Financial Assets

Non-financial assets (other than biological assets measured at fair value, inventories and deferred tax assets) are reviewed by the Company at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. It is determined for an individual asset, when it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of sell, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

R. Foreign Currency Transaction

Foreign currency transactions are translated to Saudi Riyal ('SAR') at the exchange rates prevailing at the dates of the respective transactions. At financial position date, balances of monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyal ('SAR') at the prevailing exchange rates on that date. Gains and losses resulting from changes in exchange rates are recognised in the Statement of Profit or Loss.

S. Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates. The Company recognizes revenue when a customer obtains control of the goods at a point in time i.e. on delivery and acknowledgement of goods.
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. 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.

3. Significant Accounting Policies – (Continued)

T. Share Capital

Shares are classified as equity and are recorded at their face value. Incremental costs, if any, directly attributable to the issue of new shares, are recognised in Equity as a deduction from the proceeds.

U. Dividends

Dividends are recognised in the Financial Statements in the period in which it is approved by General Assembly Meeting.

V. Expenses

Selling and marketing expenses are those expenses rising from the Company's efforts underlying the marketing, selling and distribution functions. All Other expenses, excluding Cost of Sales, Finance Cost and Zakat are classified as General and Administrative Expenses. Borrowing Costs are recognised as an expense in the period in which these are incurred except where such costs are directly attributable to the acquisition, construction or production of a qualifying asset, in which case, such costs are capitalized as part of the cost of that asset. Borrowing Costs include exchange differences arising from foreign currency borrowings to the extent these are regarded as an adjustment to borrowing costs.

W. Zakat

The Company is subject to Zakat according to the regulations of the General Authority for Zakat and Tax "GAZT". Zakat provision is estimated and charged to the Profit of Loss Statement. Any differences in the estimates are recognised when the final assessment is approved by "GAZT", such differences are recognised in the Profit or Loss Statement in the year in which the final assessment is approved by "GAZT".

X. Employee Benefits

a) Saudi Employees

Pension and other social benefits for the Company's employees are covered by the applicable social insurance scheme of the countries in which they are employed and are considered as a defined contribution scheme. The employees and employers contribute monthly to the scheme on a fixed-percentage-of-salaries basis.

b) Foreign Employees

Foreign employees on limited-term contracts are entitled to end of service payments under the respective labour laws of the countries in which they are employed, based on length of service and final remuneration. Provision for this unfunded commitment has been made by calculating the full liability, had all employees left at the reporting date.

I. Defined Contribution Plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided and the contributions paid in advance are recognised as an asset to the extent that the cash is recovered, or future payments reduced.

II. Defined Benefit Plan

The net liability of the Company in respect of benefit plans is identified separately for each plan and is calculated by estimating the value of the future benefits realized by the employees in current and prior periods and determining that amount and the fair value discount on any of the plan's assets. The defined benefit obligations are calculated annually by a qualified actuarial expert using the Projected Unit Credit method. Where the calculation results in potential assets of the Company, the recognised asset is limited to the present value of the economic benefits available in the form of any future recoveries from the benefit plan or reductions in future contributions to the plan. The calculation of the present value of economic benefits considers current financing requirements. The amounts of the net identifiable benefit obligations that include actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognised directly in Statement of Other Comprehensive Income. The Company determines the net interest expense (or income) on the Net Liabilities (Net Assets) determined for the period by applying the discount rate used to measure the obligation and benefits identified at the beginning of the annual period of the obligation (or the asset), considering any changes in net liabilities.

3. Significant Accounting Policies – (Continued)

X. Employee Benefits – (Continued)

II. Defined Benefit Plan – (Continued)

Net interest expense and other expense related to benefit plans are recognised in the Profit or Loss Statement. When the benefits of the plan change or when the plan is amortized, the change in the benefits relating to the past service or the gain or loss resulting from the reduction in profit or loss is recognised immediately. The Company recognizes the gain or loss arising from settlement of the defined benefits plan when the settlement occurs.

III. Other Long-Term Employee Benefits

The net obligation of the Company in respect of other long-term employee benefits is the amount of future benefits to which the employees are entitled in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Y. Financial instruments

I. Non-Derivative Financial Instruments

a. Non-Derivative Financial Assets

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company initially recognises financial assets on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Company is recognised as a separate asset or liability.

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

The Company has the following non-derivative financial assets;

Financial Assets at Amortised Cost

Financial assets held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and is recognised in the Statement of Profit or Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. The Company classifies its Trade and Other receivables and Cash and Bank Balances under this category.

3. Significant Accounting Policies – (Continued)

Y. Financial instruments – (Continued)

I. Non-Derivative Financial Instruments – (Continued)

a. Non-Derivative Financial Assets – (Continued)

Financial Assets at FVOCI

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in the Statement of Profit or Loss. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI, is reclassified from equity to the Statement of Profit or Loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other income/expense.

The Company has classified its Equity investment in other Companies as FVOCI.

b. Non-Derivative Financial Liabilities

Financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is presented in the Statement of Financial Position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities of the Company comprise of bank borrowings and trade and other payables.

II. Derivative Financial Instruments and Hedge Accounting

The Company has currently no derivative financial instruments and is not using any hedging instruments.

4. Significant Accounting Estimates, Judgements and Assumptions

The preparation of the Company's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of Revenues, Expenses, Assets and Liabilities, and the accompanying Disclosures, and the disclosure of Contingent Liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are described below. The Company based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

4.1. Impairment of Non-Financial Assets

A non-financial asset is impaired when the carrying amount of the asset or cash-generating unit exceeds the asset's recoverable amount (which represents the fair value of the asset less costs to sell or its value in use, whichever is greater). The fair value of the asset is estimated through sales that are on a purely commercial basis for similar assets. Market prices are observable minus the incremental costs of selling the asset. The value in use is calculated based on the present value of the expected cash flows of the asset over the next five years. These expected cash flows do not include restructuring activities for which the Company is not yet committed or significant future investments that enhance the asset performance of the cash-generating unit under consideration. The recoverable amount is most sensitive to the discount rate used to calculate the cash flows as well as the expected future cash flows and the growth rate used to estimate the value in use.

During the financial year ended 31 December 2018, the Company examined the value in use of cash-generating units within the agricultural activity sector (Note 13).

4.2. Fair Value Measurement of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF (discounted cash flows) model that includes the use of the present value of expected cash flows from such assets or using other methods as provided for in IFRS No. 13. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as Liquidity risk, Credit risk and Volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

4.3. Impairment of Non-Derivative Financial Assets

The Company recognises loss allowances for ECLs (Expected Credit Loss) on Financial Assets measured at amortised cost i.e. Trade Receivables of the Company.

The Company assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its financial assets carried at amortised cost.

For accounts receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Company and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

4. Significant Accounting Estimates, Judgements and Assumptions – (Continued)

4.4. Provision for Slow Moving Inventory Items

The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the financial position statement date to the extent that such events confirm conditions existing at the end of year. (Note 19)

4.5. Useful Lives of Property, Plant and Equipment

The management determines the estimated useful lives of Property, Plant and Equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges are adjusted in current and future periods, if any.

4.6. Defined Benefit Plans (Employee Benefits)

The cost of Defined Benefit Pension Plans and other post-employment medical benefits and the present value of the pension obligation are 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, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases, and pension increase are based on expected future inflation rates for the respective countries.

Further details about post-employment benefit obligation is provided in Note 29.

4.7. Judgements

The Company has evaluated its Biological Assets at cost as there is no active market to obtain the fair value of these assets and there are no indications that fair value can be reliably determined. Equity Investments are measured at fair value and any changes in fair value are recognized through OCI. The cumulative change in the fair value of those investments is reported in the fair value reserve under Other Reserves under Equity in Statement of Financial Position. (Note 14,16 and 17)

5. Operating Segments

IFRS 8 requires operating segments to be identified based on internal reports that are regularly reviewed by the Company's executive management and used to allocate resources to segments and assess their performance. The operating segments described below has been prepared in accordance with IFRS 8. The Company operates in two main business segments: Manufacturing of Dairy and foods and Production of agricultural products. Most of the Company's revenues, profits and assets relate to its operations in Saudi Arabia and arise from these reportable business segments. The executive management monitors the operational results of these business segments separately for making decisions about resource allocation and performance evaluation. The performance of the segment is evaluated on a profit or loss basis and is measured in a manner consistent with the profit or loss recognised in the Financial Statements.

The following is a summary of the business segments as at 31 December 2018

	Dairy and Food	Farm	Elimination of Inter-Segment Sales	Total
	SAR	SAR	SAR	SAR
Revenue				
External Revenue	1,868,795,993	227,230,051	-	2,096,026,044
Inter-Segment Revenue	18,192,800	215,171,385	(233,364,185)	-
Total	1,886,988,793	442,401,436	(233,364,185)	2,096,026,044
Expenses				
Depreciation and Amortization	(203,770,864)	(68,675,994)	-	(272,446,858)
Impairment losses on Property, Plant and Equipment	-	(52,674,671)	-	(52,674,671)
Operating Profit	134,908,136	(62,634,448)	-	72,273,688
Finance Cost	(52,824,407)	(14,774,213)	-	(67,598,620)
Profit/ (Loss) before Zakat	82,083,729	(77,408,661)	-	4,675,068
Zakat	(2,744,681)	(188,947)	-	(2,933,628)
Profit/ (Loss) for the year	79,339,048	(77,597,608)	-	1,741,440
Total Assets	3,183,937,977	778,595,421	-	3,962,533,398

The following is a summary of the business segments as at 31 December 2017

	Dairy and Food	Farm	Elimination of Inter-Segment Sales	Total
	SAR	SAR	SAR	SAR
Revenue				
External Revenue	1,837,292,047	195,191,412	-	2,032,483,459
Inter-Segment Revenue	23,073,600	267,420,890	(290,494,490)	-
Total Sales	1,860,365,647	377,535,823	(195,077,211)	2,032,483,459
Expenses				
Depreciation and Amortization	(242,255,583)	(86,725,524)	-	(328,981,107)
Impairment losses on Property, Plant and Equipment	-	-	-	-
Operating Profit	42,654,643	54,968,115	-	97,622,758
Finance Cost	(43,671,526)	(16,245,975)	-	(59,917,501)
(Loss)/ Profit before Zakat	(1,016,883)	38,722,140	-	37,705,257
Zakat	2,386,790	(150,626)	-	2,236,164
Profit for the period	1,369,907	38,571,514	-	39,941,421
Total Assets	3,137,402,214	956,746,735	-	4,094,148,949

5. Operating Segments – (Continued)

The following is the summary of geographical segments:

	31 December 2018 SAR	31 December 2017 SAR
Saudi Arabia	**1,832,989,466**	1,723,587,691
Other Countries	**263,036,578**	308,895,768
	2,096,026,044	2,032,483,459

6. Revenue

	31 December 2018 SAR	31 December 2017 SAR
Dairy and Food revenue	**1,856,557,608**	1,822,869,750
Agricultural Products revenue	**186,257,926**	152,338,879
Sales of Calves	**51,801,045**	56,745,113
Others	**1,409,465**	529,717
	2,096,026,044	**2,032,483,459**

The main sources of the Company's revenues from contracts with customers includes dairy and food sales as well as the agricultural products, calves' sales and others. The control of the products is transferred to the customer as soon as it is delivered to him and acknowledgment has been taken.

7. Cost of Sales

	31 December 2018 SAR	31 December 2017 SAR
Material Consumed*	**900,515,286**	855,128,462
Government Subsidies **	**(58,253,496)**	(57,576,040)
	842,261,790	**797,552,422**
Depreciation ***	**224,111,750**	251,002,480
Employee Benefits	**189,123,991**	187,796,399
Fees and Government Expenses	**23,691,080**	9,623,789
Maintenance and Repairs expenses	**15,927,287**	19,299,451
Rent and Lease Expenses	**5,973,033**	8,159,826
Insurance Expenses on Property, Plant and Equipment	**4,824,822**	5,526,004
Utility Expenses	**1,298,077**	2,494,302
Amortization	**833,356**	2,685,676
Provision for Slow Moving Inventory, net (19)	**(4,281,781)**	(315,500)
Other expenses	**17,182,639**	17,574,876
	1,320,946,044	**1,301,399,725**

* Material consumed in the previous year has been reclassified in line with the current year's classification.

** Government subsidies receivable for the import of certain feed items supported by the Government of Saudi Arabia have been recognised against the cost of materials.

*** Net off Deferred Income (Government Grant on Property, Plant and Equipment) 2018: SAR 1.2 Million (2017: SAR 2.4 Million)

8. Selling and Distribution Expenses

	31 December 2018	31 December 2017
	SAR	SAR
Employee Benefits	**226,532,691**	233,153,599
Marketing Expenses	**128,850,357**	135,819,962
Maintenance and Repairs expense	**47,824,990**	42,723,990
Depreciation	**41,929,361**	70,581,866
Fees and Government Expenses	**29,704,404**	15,512,284
Rent and Lease Expenses	**16,861,950**	13,558,679
Utility Expenses	**16,536,733**	16,948,131
Insurance Expenses on Property, Plant and Equipment	**4,403,604**	4,044,782
Amortization	**322,939**	74,197
Other expenses	**12,610,630**	15,886,694
	525,577,659	**548,304,184**

9. General and Administrative Expenses

	31 December 2018	31 December 2017
	SAR	SAR
Employee Benefits	**80,174,078**	74,607,533
Professional and Consultancy Expenses	**15,499,876**	8,288,107
Information Technology Expenses	**7,075,914**	4,092,839
Depreciation	**2,392,678**	3,872,089
Amortization	**2,198,680**	1,877,909
Utility Expenses	**1,431,258**	1,127,188
Fees and Government Expenses	**1,222,454**	997,290
Rent and Lease Expenses	**204,626**	273,421
Insurance Expenses on Property, Plant and Equipment	**134,619**	238,501
Other expenses	**8,698,962**	4,797,461
	119,033,145	**100,172,338**

10. Other Income, net

	31 December 2018	31 December 2017
	SAR	SAR
Deferred Income recognized on Impaired Assets (Note 13)	**7,887,932**	-
Scrap Sales	**1,242,584**	972,523
Dividend Income from Equity Investments at FVOCI	**300,000**	-
Dividend Income from Available for Sale Investment	-	360,000
Profit on Sale of Available for Sale Investment	-	22,000,000
Net Foreign Exchange Loss	**(5,953,511)**	(1,255,321)
Loss on Sale of Property, Plant and Equipment and Biological Assets, net	**(23,100,149)**	(27,605,917)
Ancillary products	**20,782,066**	21,074,826
	1,158,922	**15,546,111**

11. Finance Cost

	31 December 2018	31 December 2017
	SAR	SAR
Finance cost on Murabaha Loans	67,598,620	59,917,501

12. Earnings per Share

	31 December 2018	31 December 2017
Profit attributable to Shareholders' (Saudi Riyal - SAR)	1,741,440	39,941,421
Weighted Average Number of Ordinary Shares (# of Shares)	84,700,000	84,700,000
EPS (SAR/Share)	0.02	0.47

13. Property, Plant and Equipment

Description	Land	Concrete Buildings	Prefabricated Buildings	Wells and Civil works	Machinery and Equipment	Tanks and Silos	Agricultural Equipment	Vehicles and Trucks	Tools	Office Furniture	Bearer Plants	Leasehold Improve-ments	Capital Parts	Total
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Cost														
At January 1, 2017	182,996,013	528,596,750	433,478,805	432,625,521	1,740,838,637	69,837,407	218,476,526	383,163,825	318,208,986	151,956,221	50,511,045	1,247,276	513,422	4,512,450,434
Addition/ reclassification	-	46,729,045	1,915,392	37,911,800	177,573,074	3,858,055	6,614,765	10,007,807	28,625,957	8,096,166	16,552,197	3,356,514	816,740	342,057,512
Disposals (-)	-	-	-	-	(6,720,304)	(217,350)	(4,650,349)	(35,323,014)	(612,518)	(552,264)	(1,396,012)	-	-	(49,471,811)
At December 31, 2017	182,996,013	575,325,795	435,394,197	470,537,321	1,911,691,407	73,478,112	220,440,942	357,848,618	346,222,425	159,500,123	65,667,230	4,603,790	1,330,162	4,805,036,135
Additions/Reclassification (+)	-	10,981,301	3,763,605	5,245,678	42,784,103	1,001,429	2,987,660	2,123,640	10,417,688	4,110,532	25,749,030	-	-	109,164,666
Disposals (-)	-	-	-	-	(47,050,281)	(88,800)	(23,933,093)	(15,341,800)	(51,943)	-	-	-	-	(86,465,917)
At 31 December 2018	182,996,013	586,307,096	439,157,802	475,782,999	1,907,425,229	74,390,741	199,495,509	344,630,458	356,588,170	163,610,655	91,416,260	4,603,790	1,330,162	4,827,734,884
Accumulated Depreciation and Impairment														
At January 1, 2017	-	106,721,152	215,601,069	222,839,555	909,536,785	58,578,869	149,729,785	255,531,578	203,480,178	107,833,489	6,507,162	-	-	2,236,359,622
Depreciation during the year) +)	-	10,913,531	28,036,749	12,498,127	109,491,776	2,746,936	18,825,680	37,412,128	38,970,690	16,847,234	14,285,160	3,080,625	-	293,108,636
Disposals/Reclassification (-)	-	69,336	-	107,130	(5,055,089)	26,174	(4,161,797)	(28,427,023)	609,865	(330,545)	(925,695)	-	-	(38,087,644)
At December 31, 2017	-	117,704,019	243,637,818	235,444,812	1,013,973,472	61,351,979	164,393,668	264,516,683	243,060,733	124,350,178	19,866,627	3,080,625	-	2,491,380,614
Depreciation during the year) +	-	11,163,612	29,374,053	12,217,844	86,534,274	2,079,049	11,803,170	22,800,644	23,869,447	10,169,061	16,840,027	827,687	-	227,678,868
Impairment of Assets (+)				39,644,432	187,979		12,805,766	7,526		28,968				52,674,671
Disposals/Reclassification (-)	-	-	-	-	(47,018,001)	(88,800)	(23,855,515)	(15,217,968)	(51,943)	-	-	-	-	(86,232,227)
At 31 December 2018	-	128,867,631	273,011,871	287,307,088	1,053,677,724	63,342,228	165,147,089	272,106,885	266,878,237	134,548,207	36,706,654	3,908,312	-	2,685,501,926
Net Book Value														
At 31 December 2018	182,996,013	457,439,465	166,145,931	188,475,911	853,747,505	11,048,513	34,348,420	72,523,573	89,709,933	29,062,448	54,709,606	695,478	1,330,162	2,142,232,958
At December 31, 2017	182,996,013	457,621,776	191,756,379	235,092,509	897,717,935	12,126,133	56,047,274	93,331,935	103,161,692	35,149,945	45,800,603	1,523,165	1,330,162	2,313,655,521

The Company was granted a loan from the Saudi Agricultural Development Fund to finance and expand the olive trees, olive presses and sesame plant in Al Jouf, with the guarantee against the fixed assets of Al-Sali Center, including the land on which it is built and the additions and expansions thereof as well as some of the vehicles, machinery and equipment owned by the Company, with a net book value of SR 84.8 million, as at 31 December 2018 (31 December 2017: SR 51.4 million). (Note 27).

13. Property, Plant and Equipment

The carrying amount of Property, Plant and Equipment as at 31 December 2018 amounted to SR 2.14 Billion (31 December 2017: SR 2.31 Billion). During the period ended 31 December 2018, the Company added Property, Plant and Equipment amounting to SR 109 Million.

13.1. Impairment relating to Agricultural Property Plant and Equipment

In accordance with the terms of the Ministerial Council Resolution (66) dated 25 Safer 1437H (corresponding to 7 December 2015) to completely halt the local production of green forage for areas above 50 hectares of land, the Company has stopped the production of green forage entirely within Saudi Arabia from 25 Safar 1440 (corresponding to November 3rd, 2018). The Company assessed the Value in Use (VIU) of assets related to agricultural segment, which showed a decline in the value of assets amounting to SAR 52.7 Million. This impairment has been charged in the Statement of Profit and Loss. Also Deferred Income, relating to these assets which was represented in the Government Grants has been recognised in the Profit and Loss amounting SAR 7.8 Million. Hence a net impairment of SAR 44.9 Million was recognised in the Financial Statements.

13.2. Capitalization of Borrowing Cost

The value of borrowing costs capitalized during the period ended 31 December 2018 amounted to SAR 14.3 million (31 December 2017: SAR 13.5 million). The rate used to determine the amount of borrowing costs eligible for capitalization is 4.07% which was the effective interest rate for borrowing specified during the year 2018. (2017: 3.52%)

13.3. Land and Buildings

The following matters are pending with respect to Land held by the Company at the reporting date

a) Land under Company's control but pending transfer of legal title

The lands include land granted by the State under the Royal Decree issued on 17 Shawwal 1410 A.H. with a carrying value of SAR 120.9 million as at 31 December 2018 (31 December 2017: SAR 120.9 million), all of which have been revived and used by the Company. As per the Royal Decree, the Company has an exemption from the granted land conditions such as the required planted area and the time frame required to revive the land. A request has been submitted for the transfer of ownership of these lands which has not yet been concluded by the Government.

The Management attended a meeting on 19 September 2017 with the Area and Lands Agency of the Ministry of Environment, Water and Agriculture and the consultant in charge of the project of developing the area of the agricultural land of the Company. During the meeting, the results of the engineer's survey project of the Company's sites were presented, and also calculation of the revived land that will be owned by the Company were clarified. However, no decision was reached.

Subsequent to the meeting, upon the recommendation of Executive Committee of the Board of Directors and after approval of the Board of Directors, the Company has sent an official letter to the Ministry regarding its views on the results of the Project, however no response has yet been received. Any financial impact will be announced after receiving the final survey results that will be provided to the Company.

However, as the Company has no specific timeframe for fulfilment of the conditions attached to the grant of land and also since the conditions specified in royal decree have been fulfilled, the management believes that the legal title of the land will be transferred to the Company in due course. Further, as the Company possesses the control over the land and has the beneficial ownership of land, the same has been included in the assets of the Company.

b) Land expropriated by Saudi Aramco

Nadec has previously filed legal proceedings against ARAMCO in the General Court of Al-Khobar, demanding ARAMCO to surrender certain lands located within Nadec's project in Hardh. The Court of Cassation issued its final judgement on 16/11/1431H (corresponding to 24/10/2010G) endorsing the initial judgement issued by the General Court of Al-Khobar mandating ARAMCO to surrender such lands. Following the issuance of the final judgement by the Court of Cassation, ARAMCO filed a complaint against Nadec before the Royal Court in this regard. A committee was formed by the Royal Court (pursuant to High Order No. 2554, dated 18/1/1435H) to investigate the

13. Property, Plant and Equipment – (Continued)

13.3 Land and Buildings – (Continued)

b) Land expropriated by Saudi Aramco – (Continued)

complaint submitted by ARAMCO against Nadec and report its conclusions to the Royal Court. This matter has not been finally determined to this date.

14. Biological Assets

The Company's Biological Assets consist of the dairy herd, which are classified as milk producing cows or non-milk producing cows. The non-productive cows include milk cows, which are raised up to the production stage. Such herd on the production of raw milk are converted into the category of productive cows and are depreciated at an estimated useful life of five years. Their value increase as they age, based on milk production or production of offspring. The cattle breeding is exposed to disease risk. Therefore, the Company separates all the other farms and activities from cattle farms to prevent the transmission of diseases to the herd, and the herd is subject to very strict medical standards and precautionary measures are in place to prevent such diseases from transmission or infection.

The Company's Biological Assets and their changes as at December 31, 2018 and December 31, 2017 are as follows;

Biological Assets	**Cows**	**Heifers**	**Total**
	SAR	**SAR**	**SAR**
Cost as at 1 January 2017	339,449,702	187,860,093	527,309,795
Additions through Birth/ Conversion	110,647,041	134,834,749	245,481,790
Exclusions as a result of Sale or Death or Conversion	(102,444,521)	(110,647,041)	(213,091,562)
Cost at 31 December 2017	**347,652,222**	**212,047,801**	**559,700,023**
Accumulated depreciation at 31 December 2016	75,981,744	-	75,981,744
Depreciation for the year 2017	33,568,177	-	33,568,177
Depreciation on disposals during the year	(32,222,879)	-	(32,222,879)
Accumulated Depreciation as at 31 December 2017	**77,327,042**	**-**	**77,327,042**
Net book value at 31 December 2017	**270,325,180**	**212,047,801**	**482,372,981**
Cost as at 1 January 2018	347,652,222	212,047,801	559,700,023
Additions through Birth/ Conversion	124,043,591	149,329,867	273,373,458
Exclusions as a result of Sale or Death or Conversion	(116,023,937)	(124,043,590)	(240,067,527)
Cost at 31 December 2018	**355,671,876**	**237,334,078**	**593,005,954**
Accumulated depreciation at 31 December 2017	77,327,042	-	77,327,042
Depreciation for the year 2018	41,875,795	-	41,875,795
Depreciation on disposals during the year	(40,491,285)	-	(40,491,285)
Accumulated depreciation at 31 December 2018	**78,711,552**	**-**	**78,711,552**
Net book value at 31 December 2018	**276,960,324**	**237,334,078**	**514,294,402**

15. Intangible Assets

	Software's	Software Licenses	Total
	SAR	SAR	SAR
Cost			
Cost as at 1 January 2017	**13,237,534**	**6,126,383**	**19,363,917**
Additions during the year - 2017	5,600,428	412,019	6,012,447
Cost as at 31 December 2017	**18,837,962**	**6,538,402**	**25,376,364**
Additions during the year - 2018	1,150,164	179,286	1,329,450
Cost as at 31 December 2018	**19,988,126**	**6,717,688**	**26,705,814**
Amortization			
Accumulated Amortization at January 1, 2017	**11,782,935**	**1,722,695**	**13,505,630**
Amortization for the year - 2017	819,627	1,484,667	2,304,294
Accumulated Amortization as at 31 December 2017	**12,602,562**	**3,207,362**	**15,809,924**
Amortization for the year - 2018	1,396,976	1,495,218	2,892,194
Accumulated Amortization as at 31 December 2018	**13,999,538**	**4,702,580**	**18,702,118**
Net Book value			
As at 31 December 2018	**5,988,588**	**2,015,108**	**8,003,696**
As at 31 December 2017	**6,235,400**	**3,331,040**	**9,566,440**

16. Biological Assets

	31 December 2018	31 December 2017
	SAR	SAR
Green forage (Sudan project)	4,819,520	14,628,162
Annual Crops	37,263,690	20,070,745
	42,083,210	34,698,907

17. Equity Investment at FVOCI

	Ownership (%)	Historical Cost	31 December 2018	31 December 2017 (AFS*)	Change in Fair Value 2018	Change in Fair Value 2017
		SAR	SAR	SAR	SAR	SAR
National Company for Seed Production (Seeds)	13.99%	4,128,000	2,380,000	2,670,000	(290,000)	(1,922,000)
United Dairy Farms Company	8.26%	600,000	5,869,000	1,654,000	4,215,000	(4,062,000)
United Poultry Marketing Company (under liquidation)	7.30%	500,000	500,000	500,000	-	-
Total		**5,228,000**	**8,749,000**	**4,824,000**	**3,925,000**	**(5,984,000)**
Impairment of Equity Investments at FVOCI		(500,000)	(500,000)	(500,000)	-	-
Net Equity Investments at FVOCI		**4,728,000**	**8,249,000**	**4,324,000**	**3,925,000**	**(5,984,000)**

Equity Investments at Fair Value through Other Comprehensive Income (FVOCI) are measured in accordance with IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement. The Impairment of Equity Investments at FVOCI represents the value of the investment in United Poultry Marketing Company due to its liquidation status.

* Equity Investments at FVOCI in comparative year 2017 were classified as Available for Sale Investment under IAS – 39 Financial Instruments: Recognition and Measurement.

18. Capital Work in Progress

	31 December 2018	31 December 2017
	SAR	SAR
	194,810,072	210,071,810

Capital Work in Progress includes cost of machinery and equipment and other costs that are directly attributable to the development and preparation of the land held in Sudan to bring it to its intended use for agricultural purpose. The accumulated amount of the directly attributable costs as at 31 December 2018 amounted to SAR 54.8 Million (31 December 2017: SAR 42.4 Million)

In 2011 the company leased a parcel of 60,000 acres of dry land from Sudan government to develop it for the purpose of producing green forage. The company revived 7,000 acres. This revived area is still under development and is not currently ready for its intended use. Accordingly, the land development cost is capitalized under WIP less any incidental income arising from selling the agricultural produce during the period of land development. Once the land reached the stage of optimum production the capitalized expenses will be moved to land development cost and will be amortized.

19. Inventory

	31 December 2018	31 December 2017
	SAR	SAR
Raw Materials	335,841,809	374,615,211
Spare Parts	80,178,083	85,765,352
Agricultural Products Inventory	71,699,461	99,487,212
Finished Goods	69,529,058	73,920,902
Animal Products (Manure)	9,413,919	9,843,939
Fuel and Oil	8,197,690	9,550,097
	574,860,020	653,182,713
Provision for Inventory	(16,743,053)	(21,024,834)
	558,116,967	632,157,879

Slow moving inventory	31 December 2018	31 December 2017
	SAR	SAR
Opening Balance for the year	21,024,834	21,340,334
Inventory Provision movement, net	(4,281,781)	(315,500)
Closing balance for the year	16,743,053	21,024,834

20. Biological Assets - Held for Sale

	31 December 2018	31 December 2017
	SAR	SAR
Biological Assets - Held for Sale	22,026,090	22,525,130

21. Trade Receivables, Prepayments and Other Receivables

	31 December 2018	31 December 2017
	SAR	SAR
Trade receivables*	**294,222,270**	196,190,573
Prepayments	**74,433,631**	52,457,515
Government Subsidies due**	**54,463,479**	87,087,088
Staff Receivables	**31,903,647**	30,944,336
Dividend receivable on Equity Investment at FVOCI	**300,000**	-
Other Receivables	**12,006,499**	221,212
	467,329,526	366,900,724
Impairment on Trade and Other Receivables	**(32,236,286)**	**(25,556,527)**
	435,093,240	341,344,197

* Trade and Other Receivables have been classified as financial assets measured at amortized cost.
** Government subsidies are due on the value of subsidies not yet disbursed from government agencies until 31 December 2018.

Non- Current Prepayments

	31 December 2018	31 December 2017
	SAR	SAR
Prepayment classified under Non-Current Assets	**2,404,286**	2,712,537

This Non-Current prepayment represents prepayment of lease rental for Company's distribution center in Bahrain.

Impairment of Trade Receivables

	31 December 2018	31 December 2017
	SAR	SAR
Balance at beginning of the year	**25,556,527**	**25,025,962**
Impairment loss charged in Statement of Profit or Loss for the year	**6,679,759**	530,565
Balance at end of year	**32,236,286**	25,556,527

22. Cash and Bank Balances

	31 December 2018	31 December 2017
	SAR	SAR
Cash at Bank	**31,284,805**	36,988,277
Cash in Hand	**3,934,672**	3,731,270
	35,219,477	**40,719,547**

23. Share Capital

	31 December 2018	31 December 2017
Authorized Shares (# of Shares)	**84,700,000**	**84,700,000**

Movement of Stocks Issued and granted as part of the dividends

Ordinary Shares issued and fully paid	No. of Shares	Value (SAR)
Balance at 31 December 2017 (# of Shares)	**84,700,000**	847,000,000
Balance at 31 December 2018 (# of Shares)	**84,700,000**	**847,000,000**

The Company's Share Capital as at 31 December 2018 amounted to SAR 847 million (31 December 2017: SAR 847 million) consisting of 84.7 million (31 December 2017: 84.7 million) fully paid and issued shares of SAR 10 each.

24. Statutory Reserve

In accordance with the Articles of Association of the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company shall transfer 10% of the net profit for the year to statutory reserve until such reserve reaches 30% of its capital. This reserve is not available for distribution to shareholders

25. Dividends Paid and Proposed

Below table represents the movement in the Dividend Payables.

	SAR
Balance at 01 January 2017	**33,856,689**
Paid during the year 2017	(14,417)
Balance at 31 December 2017	**33,842,272**
Paid during the year 2018	**(224,157)**
Balance at 31 December 2018	**33,618,115**

26. Other Reserve

	SAR
Balance at 1 January 2017	**32,738,000**
<u>Changes</u>	
Fair value gain reclassified to profit or loss on Sale of Available for Sale Investment	(22,996,000)
Change in Fair value of Available for Sale investments	(5,984,000)
Actuarial Valuation adjustments to other reserves	(3,838,787)
Total adjustments to Other Reserve	(32,818,787)
Balance at 31 December 2017	**(80,787)**
<u>Changes</u>	
Change in Fair value of Equity Investment at FVOCI	**3,925,000**
Actuarial Valuation adjustments to other reserves	**15,269,488**
Total adjustments to Other Components of Equity	**19,194,488**
Balance at 31 December 2018	**19,113,701**

27. Murabaha and Long-Term Loans

	Currency of Loans	Interest Rate	Due Date	31 December 2018 Nominal Value SAR'000	31 December 2018 Book Value SAR'000	31 December 2017 Nominal Value SAR'000	31 December 2017 Book Value SAR'000
Islamic Banking Facilities (Murabaha) (27.1)	SAR	SIBOR + Bank Margin	2018-2025	**1,815,561**	**1,825,964**	1,998,778	2,006,447
Agricultural Development Fund Loan (27.2)	SAR	Fixed	2018-2025	**8,437**	**8,437**	9,428	9,428
Total Loans				**1,823,998**	**1,834,401**	**2,008,206**	**2,015,875**

- The weighted average markup on bank loans during the year 2018 was 4.07% (2017: 3.52%) on per annum basis, however, the rates varied between medium and short-term loans.
- Loans from local banks were granted against promissory note given by the Company.

Loans are presented in the Financial Statements as follows:

	31 December 2018 SAR	31 December 2017 SAR
Non-current liabilities		
Loans secured by Guarantees	**7,446**	8,437
Loans not secured by any Guarantee or Security	**651,072**	1,065,457
	658,518	**1,073,894**
Current liabilities		
Loans secured by Guarantees	**991**	990
Loans not secured by any Guarantee or Security	**1,174,892**	940,991
	1,175,883	**941,981**

27. Murabaha and Long-Term Loans - Continued

27.1 Islamic Banking Facilities (Murabaha) from Local Banks

The borrowing under Islamic banking facilities (Murabaha) have been granted against a promissory note issued by the Company. These facilities are in accordance with the maturities of facilities given by each bank and are mostly of a revolving nature. The amount of unused facilities as at 31 December 2018 amounted to SAR 2,010 Million. (31 December 2017: SAR 1,696 Million).

27.2 Agricultural Development Fund Loan

The Company was granted a loan from the Agricultural Development Fund under number 803405009 dated 24 Jumada II 1433 (corresponding to 5 May 2012) with a total value of SAR 8.35 million. This loan is secured by a mortgage of specific land owned by the Company along with building on it and any new additions and expansions. Annual installments starting from 4 Muharram 1440H (corresponding to 14 September 2018) and ending on 4 Muharram 1449H (corresponding to 8 September 2027), the loan amount was used to finance the irrigation netting pivots of olive seedlings.

The Company was granted another loan on 1 Dhul Qa'da 1433H (corresponding to 17 September 2012 with a total value of SAR 1.6 Million under Loan number 803805048. This loan is secured by mortgage on cars, machines and equipment owned by the Company. This loan is payable on annual installments basis starting from 1 Dhul al-Qa'da 1436H (Corresponding to 15 August 2015) and ending on 1 Dhul al-Qa'da 1445 AH (corresponding to 8 May 2024). This loan was fully utilized in Olive and Sesame project.

The balance of these loans from Agricultural Development Fund on 31 December 2018 amounted to SAR 8.4 million (31 December 2017: SAR 9.4 million).

28. Provision for Zakat

	SAR
Balance at 1 January 2018	**31,578,116**
Provision recognized during the year	**4,865,681**
Zakat on Crops (Sudan)	**188,947**
Reversal of Zakat Provision	**(2,121,000)**
Total charged to Statement of Profit or Loss	**2,933,628**
Zakat paid on Crops (Sudan)	**(188,947)**
Zakat paid (Saudi Arabia)	-
Balance at 31 December 2018	**34,322,797**
Balance at 1 January 2017	35,158,657
Provision recognized during the year	5,306,648
Zakat on Crops (Sudan)	150,626
Reversal of Zakat Provision	(7,693,438)
Total charged to Statement of Profit or Loss	**(2,236,164)**
Zakat paid Crops (Sudan)	(150,626)
Zakat paid (Saudi Arabia)	(1,193,751)
Balance as at 31 December 2017	**31,578,116**

The Company obtained the final Zakat certificates for the years up to 1997 from the General Authority for Zakat and Tax (GAZT) (The Authority). The Authority issued Zakat assessments for the years 1998-2006 and the Company objected to some of its items. The Zakat Tax Objection Committee did not accept the Company's objection. The Company appealed against the Zakat Tax Objection Committee decision at the Zakat Tax Appeal Committee which supported the Company's objection on items under dispute. The Appeals Committee decision was in favor of the Company and reduced Zakat liability from SR 12.1 million to SR 4.9 million. The Company has filed an objection to the revised assessments for 2005 and 2006.

28. Provision for Zakat – (Continued)

The Company submitted the Zakat declarations for the years 2008 to 2017 in accordance with the established regulations. The Authority issued the Zakat assessments for the years from 2008 to 2012 resulting in differences in Zakat liability in favor of the Company, amounting to SAR 2.0 million which has been reflected in the current year's Statement of Profit or Loss. Zakat payable as presented in the financial statements is representing the years for which no final Zakat assessment has been issued by the Authority. Zakat is calculated in accordance with the Zakat Regulations and provision for the fiscal year 2018 is computed in accordance with Zakat base as required by the Authority.

29. Employee Benefits Obligation

The entity operates a defined benefit plan (as defined in IAS 19) to provide a lump-sum compensation when the employee leaves the service, in line with the current labor law in the Kingdom of Saudi Arabia. The plan and its obligations are therefore more sensitive to changes in future salary increases, future withdrawal rates and the discount rate used to assess commitments, and the Company is not required to finance the plan, the plan's liabilities have been assessed using the expected credit unit method in accordance with IAS 19. Since the amount and timing of future maturities are not known currently, assumptions have been made to value the obligations relating to the past service, these assumptions have been derived using methodologies consistent with the requirements of IAS 19. Any changes in assumptions in financial, economic and demographic conditions over time, where future experience does not match established assumptions, that change is included in Other Comprehensive Income in the future financial year.

The movement in the present value of the liability for the benefits of the end of service plan of the enterprise is as follows

	31 December 2018	31 December 2017
	SAR	SAR
Opening balance for Employee Benefits Obligation	**166,876,242**	**162,283,451**
Interest Cost	**5,840,668**	5,923,330
Current Service Cost	**30,595,167**	20,884,212
Benefits Paid	**(23,224,328)**	(22,254,107)
Actuarial (gain) in Other Comprehensive Income	**(15,269,488)**	39,356
Closing Balance for Employee Benefits Obligation	**164,818,261**	**166,876,242**

The value of the amounts that have been adjusted for the year ended December 31, 2018 is as follows, according to the Actuarial study conducted

	31 December 2018	31 December 2017
	SAR	SAR
Current Service cost	**19,555,424**	20,884,212
Interest cost	**5,840,668**	5,923,330
Adjustment for staff obligations	**11,039,743**	(3,799,431)
Expense charged to Profit or Loss for the year	**36,435,835**	**23,008,111**

Other comprehensive income related to the Employee Benefits Plan for the years 2018 and 2017 consists of the following items:

	31 December 2018	31 December 2017
	SAR	SAR
Actuarial loss resulting from changes in financial assumptions	**(4,026,808)**	1,984,014
Actuarial gain resulting from the liability revision	**(11,242,680)**	(1,944,658)
Actuarial (gain)/loss in Other Comprehensive Income	**(15,269,488)**	**39,356**

29. Employee Benefits Obligation – (Continued)

The significant assumptions used to determine the defined benefit obligations of the employees' end of service plan are as follows:

	31 December 2018	31 December 2017
Discount rate	**4.31%**	3.50%
Expected salary increase rate	**5%**	5%
Withdrawal from work	**Age: Ratio**	Age: Ratio
(Average Ratio)	**20:12.5%**	20:12.5%
	30:8.0%	30:8.0%
	40:4.0%	40:4.0%
	50:1.5%	50:1.5%

30. Trade and Other Payables

	31 December 2018	31 December 2017
	SAR	SAR
Trade Creditors	**311,779,482**	306,713,057
Accrued Expenses	**63,262,627**	48,016,977
Employee Benefits	**49,062,949**	35,237,620
Payable to Related Parties	**8,729,874**	4,394,273
Advances from Customers	**952,084**	3,205,644
Other Payables	**8,606,876**	7,318,847
Total	**442,393,892**	**404,886,418**

31. Commitment and Contingencies

The Company has entered certain operating leases and the lease term is between 2 and 5 years. Under certain leases, the Company has the right to extend an additional period for the lifetime of the contracts.
The Company's future obligations under these contracts are as follows:

	31 December 2018	31 December 2017
	SAR	SAR
Commitments under 1 year	**50,536,481**	38,156,069
Commitments over one year and not exceeding five years	**63,005,801**	113,542,282
	113,542,282	151,698,351

Capital Commitments

Capital commitments amounted to SR 24.0 million against contracts for the supply of property, plant and equipment (31 December 2017: SR 8.5 million)

32. Fair Value

Financial Assets and Liabilities are measured at amortized cost except for Equity Investments at Fair value through Other Comprehensive Income (FVOCI) which are measured at fair value. The 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 under market conditions. In the absence of an active market, the asset or liability is measured in the most advantageous market for the asset or liability and relies on the perceptions of market participants to maximize the benefits of using the asset. The Company relied on valuation methods for Equity Investments at FVOCI based on the performance of similar financial assets in an active market considering the performance of the asset itself to maximize benefits from the asset.

The book value and the fair value of the all disclosed financial assets and financial liabilities does not vary significantly.

31 December 2018

	Carrying Amount			Fair Value			
	Amortized Cost	Fair Value	Total	Level 1	Level 2	Level 3	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Financial Assets							
Equity Investment at FVOCI	-	8,249	8,249	-	8,249	-	8,249
Trade and Other Receivables	360,660	-	360,660	-	-	-	-
Cash and Bank Balances	35,219	-	35,219	-	-	-	-
	395,879	8,249	404,128	-	8,249	-	8,249
Financial Liabilities							
Trade and Other Payables	442,394	-	442,394	-	-	-	-
Loans	1,834,401	-	1,834,401	-	-	-	-
	2,276,795	-	2,276,795	-	-	-	-

31 December 2017

	Carrying Amount			Fair Value			
	Amortized Cost	Fair Value	Total	Level 1	Level 2	Level 3	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
Financial Assets							
Available for Sale Investment	-	4,324	4,324	-	4,324	-	4,324
Trade and Other Receivables	288,886	-	288,886	-	-	-	-
Cash and Bank Balances	40,720	-	40,720	-	-	-	-
	329,606	4,324	333,930	-	4,324	-	4,324
Financial Liabilities							
Trade and Other Payables	404,886	-	404,886	-	-	-	-
Loans	2,015,875	-	2,015,875	-	-	-	-
	2,420,761	-	2,420,761	-	-	-	-

33. Financial Risk Management

The Company is exposed to the following risks through its use of financial instruments:

A. Credit Risk.
B. Liquidity Risk.
C. Market Risk

This note provides information on the Company's exposure to each of the above risks, the Company's objectives, policies and procedures for measuring and managing risks, and the Company's capital management. Further quantitative disclosures are included in these financial statements. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential negative impact on the financial performance of the Company. Financial instruments included in the Statement of Financial Position include cash and cash equivalents, short-term investments, receivables, due from related parties, short- and long-term loans, due to related parties and accrued expenses, as well as other current liabilities.

33.1 Credit Risk

Credit risk is the risk that the counter party will not meet its obligations under a financial instrument or a business contract resulting in a financial loss. The Company is exposed to credit risk from its operating activities (mainly trade receivables) and from financing activities. The financial assets subject to credit risk are set out in table below:

	31 December 2018	31 December 2017
	SAR	SAR
Cash and Bank Balances	**35,219,477**	40,719,547
Trade and Other Receivables	**434,793,240**	341,344,197
	470,012,717	382,063,744

- **Trade Receivables**

Customer credit risk is managed by each business segment in accordance with the Company's business policy, procedures and control related to business risk management. The credit quality of the customer is assessed on the basis of an evaluation card for each customer based on the date of the customer's dealings with the Company and the extent of his obligation to pay by setting a grace period and credit limit for each customer. The Company calculates impairment losses on the basis of its estimate of losses incurred in respect of trade receivables. The main components of this provision are the expected loss element of specific customers as well as the aggregate loss element that is estimated for a group of similar customers in respect of losses that may be incurred, and which have not yet been determined. The consolidated loss provision is determined based on historical data of collection statistics for similar customers. Management believes that there is no additional allowance for credit risk required in excess of the normal decrease in receivables.

Trade Receivables consist of 75% of the balances in Saudi Arabia, 23% of the outstanding balances in the GCC countries and 2% of the balances due in other countries as at 31 December 2018.

Bank balances are kept with banks of BBB or higher rating banks.

33.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities settled through the delivery of cash or other financial assets. The Company's approach to liquidity management is to ensure, as far as possible, that it always has sufficient liquidity to meet its obligations when due in normal and difficult circumstances without incurring unacceptable losses or risking the Company's reputation. Liquidity risk may result from the inability to sell the financial asset quickly near its fair value. A significant portion of the Company's funds are in Cash and Cash Equivalents and are readily available to cover expected operating expenses, including servicing of financial obligations. In order to improve the liquidity of the Company, the Company will develop a plan to develop working capital performance and restructure its capital components.

33. Financial Risk Management – (Continued)

33.2 Liquidity Risk – (Continued)

Payable as of 31 December 2018	On Demand SAR	Less than 3 months SAR	3 Months to 1 year SAR	1 year to 5 years SAR	Greater than 5 years SAR	Total SAR
Murabaha & Government Loans	-	865,413,543	349,995,758	649,887,439	52,476,960	1,917,773,700
Trade Payables	-	320,509,356	-	-	-	320,509,356
Total	-	**1,185,922,899**	349,995,758	649,887,439	52,476,960	**2,238,283,056**

Payable as of 31 December 2017	On Demand SAR	Less than 3 months SAR	3 Months to 1 year SAR	1 year to 5 years SAR	Greater than 5 years SAR	Total SAR
Murabaha & Government Loans	-	495,178,280	446,803,574	904,421,628	169,471,786	2,015,875,268
Trade Payables	-	311,107,330	-	-	-	311,107,330
Total	-	**806,285,610**	**446,803,574**	**904,421,628**	**169,471,786**	**2,326,982,598**

- **Capital Management**

Equity includes the equity of the Company's shareholders. The main objective of the Company's Capital Management is to ensure that it maintains a strong credit rating and decent capital ratios to support the Company's business and increase the value of the Company. The Company manages and adjusts the capital structure in light of changes in economic conditions and the requirements of financial commitments. To maintain or adjust the capital structure, the Company may amend dividend payments to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using the Lending Ratio (debt), which is Shareholders' Equity plus Net Debt divided by Net Debt. The Company's policy is to maintain a debt ratio between 1.8 and 2.5 per cent. The Company includes in its net debt interest bearing loans and borrowings and trade payables other credit balances less cash deposits, excluding discontinued operations.

	31 December 2018 SAR	31 December 2017 SAR
Islamic and Government Murabaha Loans	**1,834,400,704**	2,015,875,268
Trade and Other Payables	**442,393,892**	404,886,418
Employee Benefit Obligations	**164,818,261**	166,876,242
Provision for Zakat	**34,322,797**	31,578,116
Dividend Payable	**33,618,115**	33,842,272
Deferred Income (Government Grant)	**6,726,369**	15,773,301
Total Debt	**2,516,280,138**	**2,668,831,617**
Cash and Bank Balances	**(35,219,477)**	**(40,719,547)**
Net Debt	**2,481,060,661**	**2,628,112,070**
Shareholders' Equity	**1,446,253,260**	1,425,317,332
Shareholders' Equity and Net Debt	**3,927,313,921**	**4,053,429,402**
Ratio of Borrowing (indebtedness)	**1.58**	1.54

To achieve this objective, the Company's capital management aims, among other things, to ensure that the financial commitments associated with interest bearing loans and advances that meet the requirements of the capital structure are met.

33. Financial Risk Management – (Continued)

33.2 Liquidity Risk – (Continued)

- **Capital Management – (Continued)**

In the event of a breach of compliance with these financial commitments, banks may be allowed to claim loans and bank facilities granted to the Company. There have been no violations of the financial commitments contracted with banks that lend to those loans, and in the event of such irregularities, the Company gets exemptions from banks for periods to be determined by those banks.

No changes were made in the objectives, policies and processes for capital management during the year ended 31 December 2018 and the year ended 31 December 2017.

33.3 Market Risk

Market risk is the risk of changes in market prices such as foreign exchange rates, profit rates and equity prices. These risks affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable limits, while improving returns.

The Company's exposure to market risk arises from:

- Currency risk
- Interest rate risk

- **Currency Risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates

				Currency Movement vs. Saudi Riyal (SAR)			
Foreign Currency	% Change	Average Fx Rate (Foreign Currency/ SAR)		Upward	Downward	Upward	Downward
		2018	2017	2018		2017	
				SAR			
Price for $1	1.00%	3.751	3.751	(1,050,000)	1,050,000	(1,271,483)	1,271,483
Price for Euro 1	1.00%	4.462	4.269	(130,000)	130,000	(234,744)	234,744
Price for £1	1.00%	5.061	4.903	(12,500)	12,500	(14,513)	14,513
				(1,192,500)	1,192,500	(1,520,740)	1,520,740

The Company mainly trades in Saudi Riyals and US Dollars. The exchange rate fluctuations are closely monitored by management. Based on its experience, management does not believe it is necessary to hedge against the impact of foreign currency risk as most transactions are in Saudi Riyals and US Dollars. The Saudi Riyal is pegged to the US Dollar and there are no other significant foreign currency instruments other than the US Dollar and thus foreign currency risk is mitigated.

- **Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk of changes in interest rates mainly relates to the Company's borrowed loans to finance working capital requirements and capital expenditures. These loans are repriced periodically, and the Company is exposed to interest rate risk related to cash flows. The Company's practice is to manage bank interest costs by improving available cash flow and reducing borrowing. When borrowing is necessary, the loan term is matched with the expected repayments. There is a regular review of bank interest rates to ensure that these risks are mitigated.

The following table shows the impact on finance cost of the Company based on interest rate movement.

	Change %	Interest Rate Upward Movement	Interest Rate Downward Movement
		SAR	SAR
December 31, 2018	1%	18,344,007	(18,344,007)
December 31, 2017	1%	20,158,753	(20,158,753)

34. Key Related Parties, transactions and balances

Related parties in the Company include companies and business entities owned or managed by some of the Company's Board of Directors. In the normal course of business, the Company deals with these companies through contracts approved by the management

Details of key transactions with related parties are as follow

Company	Relationship with Nadec	Nature of Transaction	Opening Balance	Movement during the year 2018		Balance at 31 December 2018
			Credit	Debit	Credit	Credit
			SAR			
Al Tayyar Travel Group	Common Directorship	Purchase of travelling services	1,551,931	6,444,827	6,376,547	**1,483,651**
Saudi Plastic Packaging Systems	Common Directorship	Purchase of Plastic materials	11,301,466	31,002,478	26,579,003	**6,877,991**
Seqaf Integrated Solutions Co. Ltd	Common Directorship	Purchase of Fuel & Fertilizers	2,051,297	4,058,717	2,007,420	-
Alwatania-agri	Common Directorship	Purchase of Olive Oil	368,232	-	-	**368,232**
		Total	**15,272,926**	**41,506,022**	**34,962,970**	**8,729,874**

Transactions with Key Management Personnel:

	31 December 2018	31 December 2017
	SAR	SAR
Short term benefits	9,875,748	12,552,985
Long-term benefits	7,219,922	9,637,608
Total Benefits of Senior Management Personnel	**17,095,670**	**22,190,593**

Proposal of the Board of Directors

Dated 3rd Moharam 1440 A.H. corresponding to 13 September 2018, the Board of Directors recommended the payment of Saudi Riyal One Million and Seven Hundred Thousand as remuneration to the members of the Board of Directors. This amount is subject to the approval of shareholders during the Annual General Assembly meeting.

35. Approval by the Board of Directors

These Financial Statements for the year ended 31 December 2018 were approved by the Board of Directors on 21st Rajab 1440 A.H corresponding to 28 March 2019.