

ALMARAI COMPANY  
A SAUDI JOINT STOCK COMPANY

THE CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED  
31 DECEMBER 2019

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**

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## *Independent auditor's report to the shareholders of Almarai Company*

### *Report on the audit of the consolidated financial statements*

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#### *Our opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Almarai Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

#### **What we have audited**

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

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#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

#### **Independence**

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.



## *Independent auditor's report to the shareholders of Almarai Company (continued)*

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### *Our audit approach*

#### **Overview**

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##### **Key audit matters**

- Carrying value of goodwill
  - Valuation of biological assets
  - Implementation of IFRS 16 "Leases"
- 

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

#### **Key audit matters**

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



## Independent auditor's report to the shareholders of Almarai Company (continued)

Key audit matter	How our audit addressed the key audit matter
<p><b>Carrying value of goodwill</b></p> <p>At 31 December 2019, the Group had goodwill, which arose on past business combinations amounting to Saudi Riyals 941 million.</p> <p>In accordance with IAS 36 "Impairment of assets", an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.</p> <p>Goodwill is monitored by management at the level of cash-generating units ("CGUs"). Management carried out an impairment exercise in respect of goodwill allocated to each CGU by determining a recoverable amount based on value-in-use derived from a discounted cash flow model, which utilized the most recent five-year business plan prepared by the Group's management. This exercise did not identify any impairment loss to be recognized.</p> <p>We considered impairment testing of goodwill performed by the management to be a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment are:</p> <ol style="list-style-type: none"> <li>assumptions concerning the expected economic conditions, especially growth, in the markets in which the Group primarily operates;</li> <li>assumptions of the impact of the actions of the Group's main competitors on expected revenue and gross margin assumptions; and</li> <li>sales growth rates and terminal growth rates (including terminal value multiples where used) used in the value-in-use model.</li> </ol>	<p>We audited management's impairment assessment of goodwill by performing the following procedures:</p> <ul style="list-style-type: none"> <li>Assessed the methodology used by management to determine a recoverable value based on the value-in-use of the assets in each CGU and compared it to that required by IAS 36. We also tested the arithmetical accuracy of the model used;</li> <li>Tested the accuracy and relevance of the budget input data by reference to supporting evidence, such as approved budgets, and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets;</li> <li>Reviewed the methodology applied that underpins the value-in-use calculations and use of key assumptions including sales growth rates and terminal growth rates (including terminal value multiples where used); and</li> <li>Performed sensitivity analyses over the key assumptions, principally sales growth rate and terminal growth rates (including terminal value multiples where used), in order to assess the potential impact of a range of possible outcomes.</li> </ul> <p>We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements.</p>

*Refer to Note 5.12 for the accounting policy and Note 9 for the related disclosures in the accompanying consolidated financial statements.*



## *Independent auditor's report to the shareholders of Almarai Company (continued)*

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Valuation of biological assets</i></b></p> <p>As indicated in Note 10 to the consolidated financial statements, the carrying value of biological assets as at 31 December 2019 amounted to Saudi Riyals 1,448 million. This includes Saudi Riyals 1,292 million relating to the dairy herd.</p> <p>IAS 41 "Agriculture" requires biological assets to be measured at fair value less costs to sell, unless the fair value cannot be reliably measured. Management have determined that fair value cannot be reliably measured for the Group's dairy herd and have therefore accounted for the dairy herd at cost less accumulated depreciation and impairment losses.</p> <p>We consider this to be a key audit matter as the determination that fair values cannot be reliably measured is largely based on management's judgement supported by detailed analysis and the carrying value of such assets is material to the consolidated financial statements. An alternative approach could have a material effect on the Group's reported profit for the year and its financial position at 31 December 2019.</p> <p><i>Refer to Note 5.11 for the accounting policy and Notes 6.1 and 29.1 for the related disclosures in the accompanying consolidated financial statements.</i></p>	<p>We performed the following procedures in relation to the carrying value of the dairy herd:</p> <ul style="list-style-type: none"> <li>• Obtained a detailed understanding of management's basis for rebutting the presumption of IAS 41 for measuring biological assets at fair value less costs to sell. We considered accounting practices used elsewhere for similar entities both within the Kingdom of Saudi Arabia and also overseas;</li> <li>• Assessed management's assertion that market value based (Level I and II) valuation approaches are not possible by investigation of relevant markets available to the Group and consideration of the differences between the Group's dairy herd operations compared to other similar entities;</li> <li>• Considered management's assertion that a discounted cash flow or replacement cost (Level III) approach would result in a fair value that is clearly unreliable by reviewing the management analysis and support for such an assertion and comparing it to our understanding of the business; and</li> <li>• Compared the basis on which management capitalises and depreciates the dairy herd to the approach followed by relevant accounting standards.</li> </ul>

We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements in relation to biological assets.



## Independent auditor's report to the shareholders of Almarai Company (continued)

Key audit matter	How our audit addressed the key audit matter
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### **Implementation of IFRS 16 "Leases"**

The Group has adopted IFRS 16 "Leases" with effect from 1 January 2019 and this new standard supersedes the requirements of IAS 17 'Leases'.

Management performed a detailed analysis of each lease contract to identify differences between the requirements of the two standards, identify the changes required to be made to existing accounting policies and determine the transition adjustments and consequential changes to processes and controls required particularly in connection with identification of whether an arrangement meets the definition of a lease.

IFRS 16 principally modifies the accounting treatment of operating leases at inception, with the recognition of a right-of-use on the leased asset and a corresponding liability for the discounted amount of lease payments over the term of lease contract.

The Group has chosen to apply IFRS 16 "Leases" under the full retrospective approach. Therefore, the comparative financial statements have been restated, and the cumulative impact of the first time adoption of the standard presented as at 1 January 2018. Accordingly, this resulted in recognition of right-of-use assets of Saudi Riyals 602.4 million as at 1 January 2018 and lease liabilities of Saudi Riyals 547.8 million as of that date.

Management also assessed the disclosure requirements of the new standard to be made in the consolidated financial statements.

We considered this as a key audit matter because the calculations of amounts underlying the right-of-use assets and the corresponding lease liabilities involve new processes for collecting data, complex rules and the application of significant management judgement relating to the terms in the contracts.

We performed the following as part of our audit:

Reviewed management's assessment of the impact of IFRS 16 in terms of the classification and measurement of its right-of-use assets and lease liabilities, and understood the approach taken towards implementation;

Assessed the accuracy of the lease data by testing, on a sample basis, the lease data captured by management through the inspection of lease documents;

Tested lease schedules, on a sample basis, by recalculating the amounts underlying the right-of-use assets and lease liabilities, based on the terms of the lease contracts. We also tested the arithmetical accuracy of those individual lease schedules and how these accumulated into the overall adjustment totals applied in the consolidated financial statements as at 1 January 2018; and

Consulted our accounting subject matter specialists to assess the appropriateness of the discount rates used in computation of lease liability obligations.

We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements in relation to the implementation of the new standard.

*Refer to Note 5.1.1 which explains the impact of the adoption of the new standard, Note 5.10 for the accounting policy and Note 8 for the related disclosures in the accompanying consolidated financial statements.*



## *Independent auditor's report to the shareholders of Almarai Company (continued)*

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### *Other information*

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

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

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

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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### *Responsibilities of management and those charged with governance for the consolidated financial statements*

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

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

The Group's audit committee is responsible for overseeing the Group's financial reporting process.





## *Independent auditor's report to the shareholders of Almarai Company (continued)*

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



## *Independent auditor's report to the shareholders of Almarai Company (continued)*

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication

**PriceWaterhouseCoopers**

Omar M. Al Sagga  
License Number 369


19 January 2020



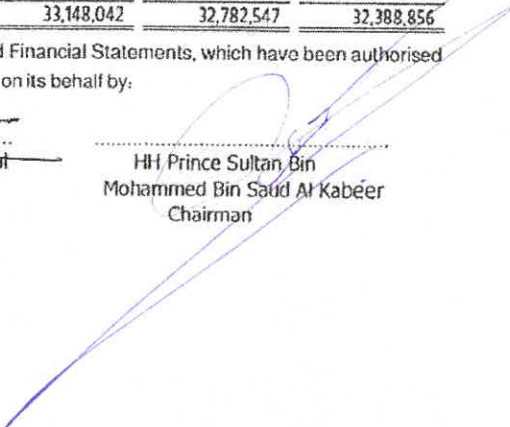
**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2019**

		31 December 2019	31 December 2018	1 January 2018
	Notes	SAR '000	Restated (Note 5.1.1) SAR '000	Restated (Note 5.1.1) SAR '000
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, Plant and Equipment	7	22,576,888	22,606,542	22,401,692
Right-of-Use Assets	8	461,375	547,933	602,433
Intangible Assets and Goodwill	9	1,128,533	1,038,371	1,046,607
Biological Assets	10	1,381,268	1,366,566	1,283,342
Investments in Associate and Joint Venture	11	88,029	204	129,429
Equity Investment	11	145,684	102,624	90,711
Derivative Financial Instruments	36	725	19,747	16,808
Deferred Tax Assets	23	40,836	11,488	39,926
		<u>25,823,338</u>	<u>25,693,475</u>	<u>25,610,948</u>
<b>Current Assets</b>				
Inventories	13	4,198,005	3,874,193	3,121,903
Biological Assets	10	96,462	98,439	87,321
Trade Receivables, Prepayments and Other Receivables	14	1,868,895	1,913,202	1,667,507
Derivative Financial Instruments	36	13,751	20,336	9,480
Time Deposit	15	590,038	-	-
Cash and Bank Balances	16	557,553	1,182,902	1,891,697
		<u>7,324,704</u>	<u>7,089,072</u>	<u>6,777,908</u>
<b>TOTAL ASSETS</b>		<u><b>33,148,042</b></u>	<u><b>32,782,547</b></u>	<u><b>32,388,856</b></u>
<b>EQUITY</b>				
Share Capital	17	10,000,000	10,000,000	10,000,000
Statutory Reserve		2,230,479	2,049,304	1,848,418
Treasury Shares	18	(770,740)	(593,567)	(453,156)
Other Reserves	19	(450,587)	(520,500)	(609,135)
Retained Earnings		3,644,197	2,941,346	1,944,927
Equity Attributable to Shareholders		<u>14,653,349</u>	<u>13,876,583</u>	<u>12,731,054</u>
Perpetual Sukuk		-	-	1,700,000
Equity Attributable to Equity Holders of the Company		<u>14,653,349</u>	<u>13,876,583</u>	<u>14,431,054</u>
Non-Controlling Interests	20	605,771	586,061	395,504
<b>TOTAL EQUITY</b>		<u><b>15,259,120</b></u>	<u><b>14,462,644</b></u>	<u><b>14,826,558</b></u>
<b>Non-Current Liabilities</b>				
Loans and Borrowings	21	10,897,327	11,651,970	10,543,125
Lease Liabilities	8	335,659	409,703	500,183
Employee Retirement Benefits	22	826,399	699,325	621,536
Derivative Financial Instruments	36	1,556	7,101	30,779
Deferred Tax Liabilities	23	103,328	37,967	48,060
		<u>12,164,269</u>	<u>12,806,066</u>	<u>11,743,683</u>
<b>Current Liabilities</b>				
Bank Overdrafts	33	219,118	179,321	255,585
Loans and Borrowings	21	1,986,393	2,094,292	2,003,403
Lease Liabilities	8	95,750	89,796	47,653
Zakat	24	363,488	302,911	256,235
Income Tax Payable	24	31,578	13,153	16,671
Trade and Other Payables	25	3,019,160	2,808,042	3,227,343
Derivative Financial Instruments	36	9,166	26,322	11,725
		<u>5,724,653</u>	<u>5,513,837</u>	<u>5,818,615</u>
<b>TOTAL LIABILITIES</b>		<u><b>17,888,922</b></u>	<u><b>18,319,903</b></u>	<u><b>17,562,298</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>33,148,042</b></u>	<u><b>32,782,547</b></u>	<u><b>32,388,856</b></u>

The accompanying notes 1 to 41 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

  
Paul Gay  
Chief Financial Officer

  
Majed Mazen Rasheed Nofal  
Chief Executive Officer

  
HH Prince Sultan Bin  
Mohammed Bin Saud Al Kabeer  
Chairman


**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	31 December 2019 SAR '000	31 December 2018 Restated (Note 5.1.1) SAR '000
Revenue	32	14,351,277	13,557,837
Cost of Sales	26	(8,984,603)	(8,230,763)
Gross Profit		5,366,674	5,327,074
Selling and Distribution Expenses	27	(2,376,328)	(2,180,244)
General and Administration Expenses	28	(400,273)	(375,204)
Other Expenses, net	29	(88,672)	(275,075)
Impairment (Loss) / Reversal on Financial Assets		(28,193)	24,684
Operating Profit		2,473,208	2,521,235
Finance Cost, net	30	(550,739)	(436,766)
Share of Results of Associates		-	(5,413)
Profit before Zakat and Income Tax		1,922,469	2,079,056
Zakat	24	(71,426)	(49,352)
Income Tax	23,24	(49,471)	(21,146)
Profit for the year		1,801,572	2,008,558
Profit / (Loss) for the year attributable to:			
Shareholders of the Company		1,811,753	2,011,975
Non-Controlling Interests		(10,181)	(3,417)
		1,801,572	2,008,558
Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company			
- Basic	31	1.83	1.98
- Diluted	31	1.81	1.96

The accompanying notes 1 to 41 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

  
Paul Gay  
Chief Financial Officer

  
Majed Mazen Rasheed Nofal  
Chief Executive Officer


  
HH Prince Sultan Bin  
Mohammed Bin Saud Al Kabeer  
Chairman


**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

		31 December 2019	31 December 2018 Restated (Note 5.1.1)
	Notes	SAR '000	SAR '000
Profit for the year		1,801,572	2,008,558
Items that will not be reclassified to profit or loss:			
Actuarial Loss on End of Service Benefits	22	(65,770)	(18,686)
Change in the Fair Value of Equity Investment through FVOCI	11	43,060	11,913
Settlement of Cash Flow Hedges transferred to Inventory / PPE		(36,049)	(20,529)
Items that are or may be reclassified subsequently to profit or loss:			
Foreign Currency Translation Differences		85,007	(1,885)
Foreign Currency Translation Difference Due to Reclassification on Disposal of Investment in Associate		-	64,474
Movement in Fair Value on Cash Flow Hedges		45,968	39,652
Settlement of Cash Flow Hedges transferred to Profit or Loss		(9,784)	3,753
Share of Other Comprehensive Income of Associates		-	567
Other Comprehensive Income for the year, net of Income Tax		62,432	79,259
Total Comprehensive Income for the year		<u>1,864,004</u>	<u>2,087,817</u>
Total Comprehensive Income / (Loss) for the year attributable to:			
Shareholders of the Company		1,836,774	2,093,084
Non-Controlling Interests		27,230	(5,267)
		<u>1,864,004</u>	<u>2,087,817</u>

The accompanying notes 1 to 41 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

  
Paul Gay  
Chief Financial Officer


  
Majed-Mazen Rasheed Nofal  
Chief Executive Officer

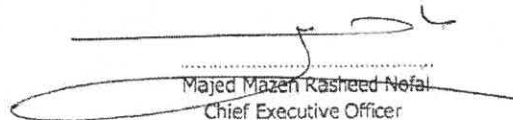
  
HH Prince Sultan Bin  
Mohammed Bin Saud Al Kabeer  
Chairman




**ALMARAI COMPANY**  
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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share Capital	Statutory Reserve	Treasury Shares	Other Reserves	Retained Earnings	Equity Attributable to Shareholders	Perpetual Sukuk	Equity Attributable to Equity Holders	Non-Controlling Interests	Total Equity
	SAR '000									
Balance at 1 January 2018	10,000,000	1,848,418	(453,156)	(609,135)	1,998,246	12,784,373	1,700,000	14,484,373	396,867	14,881,240
Restatement (Refer Note 5.1.1)	-	-	-	-	(53,319)	(53,319)	-	(53,319)	(1,363)	(54,682)
Balance as at 1 January 2018 (restated)	10,000,000	1,848,418	(453,156)	(609,135)	1,944,927	12,731,054	1,700,000	14,431,054	395,504	14,826,558
Profit / (Loss) for the year	-	-	-	-	2,011,975	2,011,975	-	2,011,975	(3,417)	2,008,558
Other Comprehensive Income / (Loss) for the year	-	-	-	99,795	(18,686)	81,109	-	81,109	(1,850)	79,259
Total Comprehensive Income / (Loss)	-	-	-	99,795	1,993,289	2,093,084	-	2,093,084	(5,267)	2,087,817
Transfer during the year	-	200,886	-	-	(200,886)	-	-	-	-	-
Directors' Remuneration	-	-	-	-	(5,640)	(5,640)	-	(5,640)	-	(5,640)
Transactions with Owners in their Capacity as Owners	-	-	-	-	-	-	-	-	-	-
Dividend Declared SAR 0.75 per Share	-	-	-	-	(750,000)	(750,000)	-	(750,000)	-	(750,000)
Share Based Payment Transactions	-	-	-	29,211	-	29,211	-	29,211	-	29,211
Settlement of Treasury Shares	-	-	82,296	(22,431)	15,247	75,112	-	75,112	-	75,112
Purchase of Treasury shares	-	-	(222,707)	-	-	(222,707)	-	(222,707)	-	(222,707)
Repayment of Perpetual Sukuk	-	-	-	-	-	-	(1,700,000)	(1,700,000)	-	(1,700,000)
Profit on Perpetual Sukuk SAR 32,701 per Sukuk	-	-	-	55,591	(55,591)	-	-	-	-	-
Payment of Profit on Perpetual Sukuk	-	-	-	(73,531)	-	(73,531)	-	(73,531)	-	(73,531)
Transactions with Non Controlling Interests	-	-	-	-	-	-	-	-	195,824	195,824
Balance at 31 December 2018 (restated)	10,000,000	2,049,304	(593,567)	(520,500)	2,941,346	13,876,583	-	13,876,583	586,061	14,462,644

  
 Paul Gay  
 Chief Financial Officer


  
 Majed Mazen Rasheed Nofal  
 Chief Executive Officer

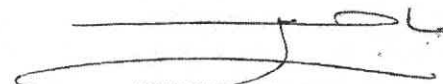
  
 HH Prince Sultan Bin  
 Mohammed Bin Saud Al Kabeer  
 Chairman

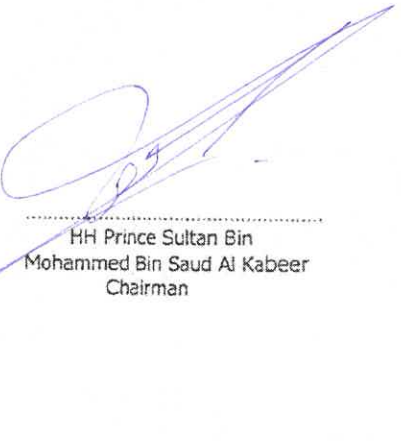
**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Share Capital	Statutory Reserve	Treasury Shares	Other Reserves	Retained Earnings	Equity Attributable to Shareholders	Perpetual Sukuk	Equity Attributable to Equity Holders	Non-Controlling Interests	Total Equity
	-----SAR '000-----									
Balance at 1 January 2019	10,000,000	2,049,304	(593,567)	(520,500)	2,941,346	13,876,583	-	13,876,583	586,061	14,462,644
Profit / (Loss) for the year	-	-	-	-	1,811,753	1,811,753	-	1,811,753	(10,181)	1,801,572
Other Comprehensive Income / (Loss) for the year	-	-	-	89,122	(64,101)	25,021	-	25,021	37,411	62,432
Total Comprehensive Income	-	-	-	89,122	1,747,652	1,836,774	-	1,836,774	27,230	1,864,004
Transfer during the year	-	181,175	-	-	(181,175)	-	-	-	-	-
Directors' Remuneration	-	-	-	-	(5,050)	(5,050)	-	(5,050)	-	(5,050)
Impact of Change in Functional Currency of Overseas Operations	-	-	-	-	(13,602)	(13,602)	-	(13,602)	-	(13,602)
Transactions with Owners in their Capacity as Owners	-	-	-	-	-	-	-	-	-	-
Dividend Declared SAR 0.85 per Share	-	-	-	-	(850,000)	(850,000)	-	(850,000)	-	(850,000)
Share Based Payment Transactions	-	-	-	17,722	-	17,722	-	17,722	-	17,722
Settlement of Treasury Shares	-	-	137,757	(36,931)	5,026	105,852	-	105,852	-	105,852
Purchase of Treasury shares	-	-	(314,930)	-	-	(314,930)	-	(314,930)	-	(314,930)
Transactions with Non Controlling Interests	-	-	-	-	-	-	-	-	(7,520)	(7,520)
Balance at 31 December 2019	10,000,000	2,230,479	(770,740)	(450,587)	3,644,197	14,653,349	-	14,653,349	605,771	15,259,120

The accompanying notes 1 to 41 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

  
 Paul Gay  
 Chief Financial Officer

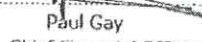
  
 Majed Mazen Rasheed Nofal  
 Chief Executive Officer

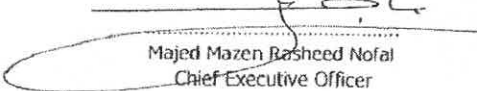
  
 HH Prince Sultan Bin  
 Mohammed Bin Saud Al Kabeer  
 Chairman

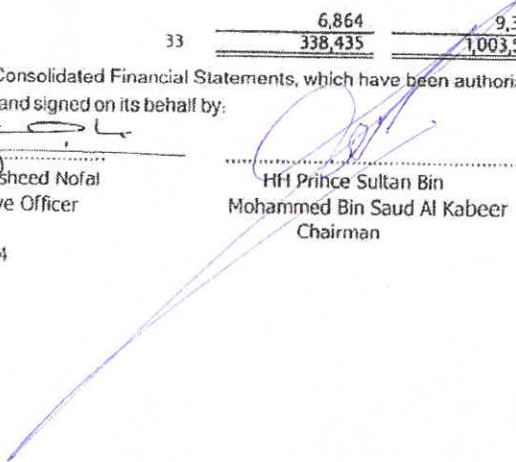
**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

		31 December 2019	31 December 2018
	Notes	SAR '000	Restated (Note 5.1.1) SAR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		1,801,572	2,008,558
Adjustments for:			
Depreciation of Property, Plant and Equipment	7	1,638,626	1,684,106
Depreciation of Right-of-Use Assets	8	101,788	94,732
Amortisation of Intangible Assets	9	49,938	47,451
Depreciation of Biological Assets	10	384,123	313,838
(Gain) / Loss arising from Changes in Fair Value less Cost to Sell of Crops	10	(4,030)	1,214
Provision for Employee Retirement Benefits	22	117,899	108,660
Share Based Payment Expense		17,722	29,211
Finance Cost, net	30	550,739	436,766
Other Expenses, net		88,972	275,300
Share of Results of Associates		-	5,413
Zakat	24	71,426	49,352
Income Tax	23,24	49,471	21,146
		<u>4,868,246</u>	<u>5,075,747</u>
Changes in:			
Inventories		1,068,299	858,754
Biological Assets		(1,345,618)	(1,614,754)
Trade Receivables, Prepayments and Other Receivables		142,850	(257,234)
Trade and Other Payables		79,860	(314,422)
Cash Used in Operating Activities		(54,609)	(1,327,656)
Employee Retirement Benefits Paid	22	(62,279)	(56,355)
Zakat and Foreign Income Tax Paid	24	(19,277)	(22,964)
Net Cash Generated from Operating Activities		<u>4,732,081</u>	<u>3,668,772</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment in Time Deposit	15	(585,000)	-
Investment in Associate	11	(87,825)	-
Acquisition of Subsidiary, net of Cash Acquired	12	(97,593)	(3,872)
Acquisition of Additional Shares of a Subsidiary	12	(43,500)	(9,375)
Proceeds from Sale of Investment in Associate		-	105,000
Dividend from Equity Investment	29	300	225
Additions to Property, Plant and Equipment		(1,516,698)	(1,918,833)
Proceeds from the Disposal of Property, Plant and Equipment		45,937	35,740
Additions to Intangible Assets	9	(132,983)	(39,797)
Additions to Biological Assets	10	(125,695)	(97,818)
Appreciation of Biological Assets		(629,785)	(639,089)
Proceeds from the Disposal of Biological Assets		228,789	200,239
Repayment of Loan - Associate	11	-	17,861
Net Cash Used in Investing Activities		<u>(2,944,053)</u>	<u>(2,349,719)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Loans and Borrowings		6,900,918	9,947,900
Repayment of Loans and Borrowings		(7,704,400)	(8,833,451)
Finance Cost Paid		(524,609)	(420,625)
Dividend Paid		(849,969)	(747,846)
Purchase of Treasury Shares	18	(314,930)	(222,707)
Settlement of Treasury Shares		105,852	75,112
Transactions with Non Controlling Interests		35,516	130,253
Payment of Profit on Perpetual Sukuk		-	(73,531)
Repayment of Perpetual Sukuk		-	(1,700,000)
Lease Payments		(103,366)	(110,392)
Directors' Remuneration		(5,050)	(5,640)
Net Cash Used in Financing Activities		<u>(2,460,038)</u>	<u>(1,960,927)</u>
Net Change in Cash and Cash Equivalents		<u>(672,010)</u>	<u>(641,874)</u>
Cash and Cash Equivalents at 1 January		1,003,581	1,636,112
Effect of Movements in Exchange Rates on Cash and Cash Equivalents		6,864	9,343
Cash and Cash Equivalents at 31 December	33	<u>338,435</u>	<u>1,003,581</u>

The accompanying notes 1 to 41 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

  
Paul Gay  
Chief Financial Officer

  
Majed Mazen Rasheed Nofal  
Chief Executive Officer

  
HH Prince Sultan Bin  
Mohammed Bin Saud Al Kabeer  
Chairman



**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION**

Almarai Company (the "Company") is a Saudi Joint Stock Company, which was converted from a limited liability company to a joint stock company on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Dul Hijjah 1411 A.H. (1 July 1991) and operates under Commercial Registration No. 1010084223. Prior to the consolidation of activities in 1991, the core business was trading between 1977 and 1991 under the Almarai brand name.

The Company's Head Office is located at Exit 7, North Ring Road, Al Izdihar District, P.O. Box 8524, Riyadh 11492, Kingdom of Saudi Arabia ("Saudi Arabia").

The Company and its subsidiaries (together, the "Group") are a major integrated consumer food and beverage Group in the Middle East with leading market share in Saudi Arabia. It also operates in Egypt, Jordan and other Gulf Cooperation Council ("GCC") countries.

Dairy, Fruit Juices and related food business is operated under the "Almarai", "Joosy Life", "Beyti" and "Teeba" brand names. All raw milk production, Dairy and Fruit Juice product processing and related food product manufacturing activities are undertaken in Saudi Arabia, United Arab Emirates ("UAE"), Egypt and Jordan.

Dairy, Fruit Juices and related food business in Egypt and Jordan operates through International Dairy and Juice Limited ("IDJ"), a joint venture with PepsiCo, in which the Company holds a controlling interest. The Group manages IDJ operations through the following key subsidiaries:

- Jordan - Teeba Investment for Developed Food Processing
- Egypt - International Company for Agricultural Industries Projects (Beyti) (SAE)

Bakery products are manufactured and traded by Western Bakeries Company Limited and Modern Food Industries Company Limited, a venture with Chipita Group, in which the Company holds a controlling interest, under the brand names "L'usine" and "7 Days", respectively.

Poultry products are manufactured and traded by Hail Agricultural Development Company under the "Alyoum" and "AlBashayer" brand names.

Infant Nutrition products are manufactured by Almarai Baby Food Company Limited and traded by International Pediatric Nutrition Company under "Nuralac" and "Evolac" brand names.

In territories where the Group has operations, final consumer packed products are distributed from manufacturing facilities to local distribution centres by the Group's long haul distribution fleet. The distribution centres in GCC countries are managed through subsidiaries in UAE, Oman and Bahrain and an agency agreement in Kuwait as follows:

- UAE - Almarai Emirates Company LLC
- Oman - Arabian Planets for Trading and Marketing LLC
- Bahrain - Almarai Company Bahrain S.P.C
- Kuwait - Al Kharafi Brothers Dairy Products Company Limited

In other territories, where permissible by law, Dairy and Juice products are exported through IDJ and other products are exported through other subsidiaries.

The Group owns and operates arable farms in Argentina, and in United States of America (USA), collectively referred to as "Fondomonte", through the following key subsidiaries:

- USA - Fondomonte Holdings North America LLC
- Argentina - Fondomonte South America S.A

The Group's non-GCC business operations under IDJ and Fondomonte are managed through Almarai Investment Holding Company W.L.L., a Company incorporated in the Kingdom of Bahrain.

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION (Continued..)**

On 15 Dhul-Qa'dah 1440 A.H. (18 July 2019), the Group has acquired further shares in Pure Breed Poultry Company resulting in an increase in its shareholding from 62.4% to 93.5%. Pure Breed's main operation are focused on poultry grandparent farming and its acquisition add to the Group's ongoing efforts to further streamline, integrate and strengthen its poultry supply chain. (Refer note 12.1)

On 22 Ramadan 1440 A.H. (27 May 2019), the Group acquired 100% shareholding in Premier Foods LLC. Premier Foods is primarily engaged in providing value added products (meat and poultry) to the food services industry in the Middle East. This acquisition will further enhance Almarai's footprint for expansion in the food service channel (Refer note 12.2).

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION (Continued..)**

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity	Ownership Interest				Share Capital	Number of Shares Issued
			2019		2018			
			Direct (a)	Effective	Direct (a)	Effective		
Almarai Investment Company Limited	Saudi Arabia	Holding Company	100%	100%	100%	100%	SAR 1,000,000	1,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing Company	100%	100%	100%	100%	SAR 200,000,000	20,000,000
Almarai Agricultural And Livestock Production Company Limited	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 1,000,000	1,000
Almarai Construction Company Limited	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 1,000,000	1,000
Almarai for Maintenance and Operation Company Limited	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 1,000,000	1,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Dormant	52%	52%	52%	52%	SAR 25,000,000	250
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	100%	100%	100%	100%	SAR 300,000,000	30,000,000
Hail Agricultural And Livestock Production Company Limited	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 1,000,000	1,000
International Baking Services Company Limited	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 500,000	500
International Pediatric Nutrition Company Limited	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 41,000,000	410,000
Modern Food Industries Company Limited (MFI)	Saudi Arabia	Bakery Company	60%	60%	60%	60%	SAR 70,000,000	70,000
Nourlac Company Limited	Saudi Arabia	Dormant	100%	100%	100%	100%	SAR 3,000,000	3,000
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	100%	100%	100%	100%	SAR 200,000,000	200,000

(a) Direct ownership means directly owned by the Company or any of its subsidiaries.

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION (Continued..)**

Name of Subsidiary	Country of Incorporation	Business Activity	Ownership Interest				Share Capital	Number of Shares Issued
			2019		2018			
			Direct (a)	Effective	Direct (a)	Effective		
Pure Breed Poultry Company Limited (Refer note 12)	Saudi Arabia	Poultry Company	94%	94%	62%	62%	SAR 46,500,000	465,000
Premier Food Industries Company L.L.C (Refer note 12)	Saudi Arabia	Manufacturing and Trading Company	100%	100%	-	-	SAR 500,000	50,000
Agro Terra S.A.	Argentina	Dormant	100%	100%	100%	100%	ARS 5,097,984	5,097,984
Fondomonte South America S.A.	Argentina	Agricultural Company	100%	100%	100%	100%	ARS 2,211,988,598	2,211,988,598
Almarai Company Bahrain S.P.C.	Bahrain	Trading Company	100%	100%	100%	100%	BHD 100,000	2,000
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company	99%	99%	99%	99%	BHD 250,000	2,500
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company	100%	52%	100%	52%	BHD 250,000	2,500
International Dairy and Juice Limited	Bermuda	Holding Company	52%	52%	52%	52%	USD 7,583,334	7,583,334
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company	100%	52%	100%	52%	EGP 3,233,750,000	323,375,000
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company	100%	52%	100%	52%	EGP 3,802,366,670	380,236,667
Markley Holdings Limited	Jersey	Dormant	100%	100%	100%	100%	GBP 5,769,822	5,769,822
Al Muthedoon for Dairy Production	Jordan	Dormant	100%	52%	100%	52%	JOD 500,000	500,000
Al Atheer Agricultural Company	Jordan	Livestock / Agricultural Company	100%	52%	100%	52%	JOD 750,000	750,000

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**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION (Continued...)**

Name of Subsidiary	Country of Incorporation	Business Activity	Ownership Interest				Share Capital	Number of Shares Issued
			2019		2018			
			Direct (a)	Effective	Direct (a)	Effective		
Al Namouthjya for Plastic Production	Jordan	Dormant	100%	52%	100%	52%	JOD 250,000	250,000
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company	100%	52%	100%	52%	JOD 500,000	500,000
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company	100%	52%	100%	52%	JOD 21,935,363	21,935,363
Arabian Planets for Trading and Marketing L.L.C.	Oman	Trading Company	90%	90%	90%	90%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C.	Oman	Dormant	100%	100%	100%	100%	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Spain	Holding Company	100%	100%	100%	100%	EUR 138,505,946	138,505,946
Hail Development Company Limited	Sudan	Dormant	100%	100%	100%	100%	SDG 100,000	100
Almarai Emirates Company L.L.C.	United Arab Emirates	Trading Company	100%	100%	100%	100%	AED 300,000	300
International Dairy and Juice (Dubai) Limited	United Arab Emirates	Holding Company	100%	52%	100%	52%	USD 22,042,183	22,042,183
BDC international L.L.C.	United Arab Emirates	Operations Management	100%	100%	100%	100%	AED 200,000 (Unpaid)	200
International Dairy and Juice Farm Egypt (S.A.E.)	Egypt	Holding Company	100%	52%	100%	52%	EGP 1,000,000	100,000
Fondomonte Holding North America L.L.C.	United States of America	Holding Company	100%	100%	100%	100%	USD 500,000	50,000
Fondomonte Arizona L.L.C.	United States of America	Agricultural Company	100%	100%	100%	100%	USD 500,000	50,000
Fondomonte California L.L.C.	United States of America	Agricultural Company	100%	100%	100%	100%	-	-
Hayday Farm Operation L.L.C.	United States of America	Agricultural Company	100%	100%	100%	100%	-	-
BDC Info Private Limited	India	Operations Management	100%	100%	Nil	Nil	INR 2,750,680	275,068

(a) Direct ownership means directly owned by the Company or any of its subsidiaries.

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**2. BASIS OF PREPARATION**

**2.1 Statement of Compliance**

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (here and after refer to as "IFRS as endorsed in KSA").

**2.2 Preparation of The Financial Statements**

These Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the Consolidated Statement of Financial Position:

- Derivative financial instruments are measured at fair value.
- Equity Investment at Fair Value through Other Comprehensive Income ("FVOCI") is measured at fair value.
- The defined benefit obligation is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Biological Assets, where fair value is reliably measurable, have been valued at fair value. (Refer note 6.1)

Certain comparative amounts have been adjusted to conform to the current period presentation, which includes reallocation between revenue and selling and distribution expenses, and reallocating exchange gain / loss into cost of sales, other expenses and finance cost, presented as follow:

	For the year ended		
	31 December		31 December
	2018		2018
	As Reported	Adjustment	Adjusted*
	SAR '000	SAR '000	SAR '000
Revenue	13,722,797	(164,960)	13,557,837
Cost of Sales	(8,277,435)	10,496	(8,266,939)
<b>Gross Profit</b>	<b>5,445,362</b>	<b>(154,464)</b>	<b>5,290,898</b>
Selling and Distribution Expenses	(2,330,916)	164,960	(2,165,956)
Other Expenses, net	(301,299)	26,224	(275,075)
<b>Operating Profit</b>	<b>2,461,356</b>	<b>36,720</b>	<b>2,498,076</b>
Exchange Gain, net	29,524	(29,524)	-
Finance Cost, net	(407,747)	(7,196)	(414,943)
<b>Profit before Zakat and Income Tax</b>	<b>2,077,720</b>	<b>-</b>	<b>2,077,720</b>
<b>Profit for the period</b>	<b>2,007,222</b>	<b>-</b>	<b>2,007,222</b>

\* Adjusted but before restatement (Refer note 5.1.1 for restatement)

**3. BASIS OF CONSOLIDATION**

These Consolidated Financial Statements comprising the Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the Consolidated Financial Statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). The Company and its subsidiaries are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired and fair value of pre-existing equity interest in the subsidiary. The excess of the cost of acquisition and amount of Non – Controlling Interest ("NCI") over the fair value of the identifiable net assets acquired is recorded

**ALMARAI COMPANY**  
**A SAUDI JOINT STOCK COMPANY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

**3. BASIS OF CONSOLIDATION (Continued...)**

as goodwill in the Consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the Consolidated Statement of Profit or Loss. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

**4. FUNCTIONAL AND PRESENTATION CURRENCY**

These Consolidated Financial Statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and the Group's presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

**5. SIGNIFICANT ACCOUNTING POLICIES**

**5.1. *New Standards, Amendment to Standards and Interpretations.***

The Group has adopted the following new standard, effective from 1<sup>st</sup> January 2019.

**5.1.1. IFRS 16 - Leases**

IFRS 16 replaces 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'.

IFRS 16 'Leases' introduces a single, on-balance sheet accounting model 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 optional 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.

**(a) Adjustments recognised on adoption of IFRS 16**

The Group has adopted IFRS 16 on 1 January 2018, using the full retrospective approach, therefore, the cumulative effect of adopting IFRS 16 has been recognised as an adjustment to the opening balance of retained earnings at 1 January 2018, with a restatement of comparative information. The Group has applied the practical expedient to grandfather the definition of a lease on transition i.e. all contracts entered into before 1 January 2018 are identified as leases in accordance with IAS 17 and IFRIC 4.

The impact of adopting IFRS 16 on the Consolidated Statement of Financial Position as at 1 January 2018 and 31 December 2018 and Consolidated Statement of Profit or Loss for the period ended 31 December 2018 are as follows;

**Consolidated Statement of Financial Position (extract)**

	<b>As at 31 December 2018</b>			<b>As at 1 January 2018</b>		
	<b>As previously reported</b>	<b>Effect of IFRS 16</b>	<b>Restated</b>	<b>As previously reported</b>	<b>Effect of IFRS 16</b>	<b>Restated</b>
	<b>SAR '000</b>	<b>SAR '000</b>	<b>SAR '000</b>	<b>SAR '000</b>	<b>SAR '000</b>	<b>SAR '000</b>
Right-of-Use Assets	-	547,933	547,933	-	602,433	602,433
Prepayments	67,059	(67,059)	-	74,558	(74,558)	-
<b>Total Non-Current Assets</b>	<b>25,212,601</b>	<b>480,874</b>	<b>25,693,475</b>	<b>25,083,073</b>	<b>527,875</b>	<b>25,610,948</b>
Trade Receivables, Prepayments and						
Other Receivables	1,948,070	(34,868)	1,913,202	1,702,375	(34,868)	1,667,507
<b>Total Current Assets</b>	<b>7,123,940</b>	<b>(34,868)</b>	<b>7,089,072</b>	<b>6,812,776</b>	<b>(34,868)</b>	<b>6,777,908</b>
<b>TOTAL ASSETS</b>	<b>32,336,541</b>	<b>446,006</b>	<b>32,782,547</b>	<b>31,895,849</b>	<b>493,007</b>	<b>32,388,856</b>

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**5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)**

	As previously reported	Effect of IFRS 16	Restated	As previously reported	Effect of IFRS 16	Restated
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Retained Earnings	2,991,559	(50,213)	2,941,346	1,998,246	(53,319)	1,944,927
<b>Equity Attributable to Shareholders</b>	<b>13,926,796</b>	<b>(50,213)</b>	<b>13,876,583</b>	<b>12,784,373</b>	<b>(53,319)</b>	<b>12,731,054</b>
<b>Equity Attributable to Equity Holders of the Company</b>	<b>13,926,796</b>	<b>(50,213)</b>	<b>13,876,583</b>	<b>14,484,373</b>	<b>(53,319)</b>	<b>14,431,054</b>
Non-Controlling Interest	589,194	(3,133)	586,061	396,867	(1,363)	395,504
<b>TOTAL EQUITY</b>	<b>14,515,990</b>	<b>(53,346)</b>	<b>14,462,644</b>	<b>14,881,240</b>	<b>(54,682)</b>	<b>14,826,558</b>
Lease Liabilities	-	409,703	409,703	-	500,183	500,183
<b>Total Non-Current Liabilities</b>	<b>12,396,363</b>	<b>409,703</b>	<b>12,806,066</b>	<b>11,243,500</b>	<b>500,183</b>	<b>11,743,683</b>
Lease Liabilities	-	89,796	89,796	-	47,653	47,653
Trade and Other Payables	2,808,189	(147)	2,808,042	3,227,490	(147)	3,227,343
<b>Total Current Liabilities</b>	<b>5,424,188</b>	<b>89,649</b>	<b>5,513,837</b>	<b>5,771,109</b>	<b>47,506</b>	<b>5,818,615</b>
<b>TOTAL LIABILITIES</b>	<b>17,820,551</b>	<b>499,352</b>	<b>18,319,903</b>	<b>17,014,609</b>	<b>547,689</b>	<b>17,562,298</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>32,336,541</b>	<b>446,006</b>	<b>32,782,547</b>	<b>31,895,849</b>	<b>493,007</b>	<b>32,388,856</b>

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	As previously reported*	Effect of IFRS 16	Restated
	SAR '000	SAR '000	SAR '000
<b>Consolidated Statement of Profit or Loss (extract)</b>			
Cost of Sales	(8,266,939)	36,176	(8,230,763)
<b>Gross Profit</b>	<b>5,290,898</b>	<b>36,176</b>	<b>5,327,074</b>
Selling and Distribution Expenses	(2,165,956)	(14,288)	(2,180,244)
General and Administration Expenses	(376,475)	1,271	(375,204)
<b>Operating Profit</b>	<b>2,498,076</b>	<b>23,159</b>	<b>2,521,235</b>
Finance Cost, net	(414,943)	(21,823)	(436,766)
<b>Profit before Zakat and Income Tax</b>	<b>2,077,720</b>	<b>1,336</b>	<b>2,079,056</b>
<b>Profit for the period</b>	<b>2,007,222</b>	<b>1,336</b>	<b>2,008,558</b>
<b>Profit / (Loss) for the period attributable to:</b>			
Shareholders of the Company	2,008,869	3,106	2,011,975
Non-Controlling Interest	(1,647)	(1,770)	(3,417)
	<b>2,007,222</b>	<b>1,336</b>	<b>2,008,558</b>

\* Certain reclassifications have been made to conform to the current presentation. (Refer to note 2.2)

**Statement of Cash Flows (extract)**

Net Cash Generated from Operating Activities	3,557,726	111,046	3,668,772
Net Cash Used in Financing Activities	(1,849,881)	(111,046)	(1,960,927)

There is no significant change in Earnings per Share as a result of this restatement.

**5.1.2. IFRIC 23, 'Uncertainty over income tax treatments'**

This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS Interpretation Committee had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.



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**6. SIGNIFICANT ACCOUNTING POLICIES (Continued...)**

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The adoption of this clarification does not have any material impact on the Consolidated Financial Statements during the year.

**5.2. *Standards issued but not yet effective***

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

**5.2.1. Amendments to IFRS 3 – definition of a business**

This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

**5.2.2. Amendments to IAS 1 and IAS 8 on the definition of material**

These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

- i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
- ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information.

**5.2.3. Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform**

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally, cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the Consolidated Statement of Profit or Loss.

**5.3. Annual Improvements to IFRSs 2015–2017 Cycle**

**These improvements are effective on or after 1 January 2019.**

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23, 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

**5.4. Cash and Bank Balances**

For the purpose of Consolidated Statement of Financial Position, cash and bank balances include bank balances and deposits with original maturities of three months or less, if any.

**5.5. Cash and Cash Equivalents**

For the purpose of Consolidated Statement of Cash Flows, cash and cash equivalents includes bank balances and deposits with original maturities of three months or less, if any. It also includes bank overdrafts which form an integral part of the Group's cash management and are likely to fluctuate from overdrawn to positive balances.

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**5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)**

**5.6. Time Deposits**

Time Deposits include placements with banks and other short term highly liquid investments, with original maturities of more than three months but not more than one year from the date of placement. Time deposits are placed with financial institutions with investment grade rating, which are considered to have low credit risk.

Investment income in time deposits is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate.

**5.7. Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost comprises all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of inventories. Net realisable value comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

Agriculture produce harvested from biological assets are measured at fair value less cost to sell at the point of harvest.

Spares are valued at lower of cost or net realizable value. Cost is determined on the weighted average cost basis. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date.

**5.8. Investments in Associates and Joint Venture**

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that an associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's or joint venture's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the Consolidated Statement of Profit or Loss in the period in which the investment is acquired.

When a Group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognised in the Group's Consolidated Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

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**5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)**

**5.9. Property, Plant and Equipment**

Property, Plant and Equipment, including bearer plants, are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost comprises of expenditure that is directly attributable to the acquisition of the asset. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition / growing of the plant till its maturity. Any gain or loss on disposal of an item of Property, Plant and Equipment is recognised in the Consolidated Statement of Profit or Loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

The cost less estimated residual value is depreciated on a straight-line basis over the following estimated useful lives of the assets, except for certain Plant and Equipment which are depreciated using the units of production method, where depreciation is charged based on the expected use or output:

Buildings	5 – 35 years
Plant, Machinery and Equipment	2 – 20 years
Motor Vehicles	6 – 10 years
Bearer Plants	2 – 40 years

Land, Capital Work in Progress and Immature plants are not depreciated.

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

If significant parts of an item of property, plant and equipment have different useful lives then they are accounted for as separate items of property, plant and equipment.

**5.10. Right-of-Use Assets and Lease Liabilities**

The Group has recognised new assets and liabilities for its operating leases of various types of contracts including warehouse and depot facilities, accommodation/office rental premises, commercial vehicles etc. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

i. Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation

ii. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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**5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)**

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, the management generally considers certain factors including historical lease durations and the costs and business disruption required to replace the leased asset.

**5.11. Biological Assets**

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

Where fair value cannot be measured reliably biological assets are stated at cost of purchase or cost of rearing or growing to the point of commercial production (termed as biological assets appreciation), less accumulated depreciation and accumulated impairment loss, if any. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age. Immature biological assets are not depreciated. Biological assets are depreciated on a straight-line basis to their estimated residual values over periods as summarised below:

Dairy Herd	4 Lactation cycles
Poultry Flock – After Maturity	36 weeks

**5.12. Intangible Assets and Goodwill**

***Intangible Assets***

Intangible assets other than goodwill are measured at cost, less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives of 4 years.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

***Goodwill***

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit (Also see note 5.17 (b)). Any impairment loss for goodwill is recognised directly in the Consolidated Statement of Profit or Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

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**5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)**

**5.13. Provisions**

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

**5.14. Zakat and Foreign Income Tax**

Zakat is provided for in accordance with General Authority of Zakat and Tax ("GAZT") regulations. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final Zakat and Foreign income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

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

**5.15. Deferred Tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference and unused tax losses arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint venture. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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**5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)**

**5.16. Financial Instruments**

**5.16.1. Non-Derivative Financial Instruments**

**a) Non-Derivative Financial Assets**

The Group 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 Group 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 Group 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 Group becomes a party to the contractual provisions of the instrument.

The Group derecognises 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 Group is recognised as a separate asset or liability.

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

The Group 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 not part of a hedging relationship is recognised in the Consolidated 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.

**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 Consolidated Statement of Profit or Loss. For investments in equity instruments that are not held for trading, this will depend on whether the Group 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 Consolidated 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.

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**5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)**

**b) Non-Derivative Financial Liabilities**

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

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

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

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

**5.16.2. Derivative Financial Instruments and Hedge Accounting**

Derivative financial instruments including forward foreign exchange contracts, commission rate swaps and commodity derivatives are measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Any related transaction costs are recognised in the Consolidated Statement of Profit or Loss as incurred. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

Subsequent to initial recognition, any change in fair value is recognized on the basis of hedge accounting.

The Group designates its derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate, foreign currency, and commodity price risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in the Consolidated Statement of Other Comprehensive Income and accumulated in the hedging reserve shown within other reserves under equity. The ineffective portion, if material, is recognized in the Consolidated Statement of Profit or Loss, within other gains/(losses). In hedges of foreign currency contracts, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty. In hedges of interest rate swaps, ineffectiveness may arise if the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan. In hedges of commodity purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated; and changes in the credit risk of the Group or the derivative counterparty.

The amount accumulated in equity is reclassified to the Consolidated Statement of Profit or Loss in the period during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to the Consolidated Statement of Profit or Loss.

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**5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)**

The fair values of derivative financial instruments designated in hedge relationships, in shareholders' equity are disclosed in note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

**5.17. Impairment**

**(a) Non-Derivative Financial Assets**

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI.

For accounts receivables, the Group 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 Group 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.

**(b) Impairment of Non-Financial Assets**

Non-financial assets (other than biological assets measured at fair value, inventories and deferred tax assets) are reviewed 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).

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Consolidated Statement of Profit or Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Consolidated Statement of Profit or Loss.



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**5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)**

**5.18. Employee Retirement Benefits**

Employee Retirement benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable on the Company and its subsidiaries, on termination of their employment contracts.

The Group's obligation in respect of defined benefit plan is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

Group sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of defined benefit obligation is performed by a qualified actuary using the projected unit credit method.

Re-measurement of defined benefit liability, which comprise of actuarial gains and losses are recognised immediately in the Consolidated Statement of Other Comprehensive Income. The Group determines interest expense on the defined benefit obligation for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period, taking into account any change in the net defined benefit obligation during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit are recognised in the Consolidated Statement of Profit or Loss.

**5.19. Statutory Reserve**

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its profit for the year. This reserve is currently not distributable to the Shareholders.

**5.20. Sukuk**

The Group classifies Sukuk issued as a financial liability or equity, in accordance with the substance of the contractual terms of the Sukuk. Sukuk having fixed maturity dates and fixed dates for payment of profit distribution is classified as a liability.

**5.21. Treasury Shares**

Own equity instruments that are reacquired (treasury shares), for discharging obligations under the Employee Stock Option Programme ("ESOP"), are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in retained earnings.

**5.22. Share Based Payment Transactions**

Employees of the Group receive remuneration in the form of equity settled share-based payments under the ESOP, whereby employees render services as consideration for the option to purchase fixed number of Company's shares ("Option") at a predetermined price.

The cost of ESOP is recognised as an expense in the Consolidated Statement of Profit or Loss, together with a corresponding increase in other reserves, in equity, over the period during which the vesting conditions are fulfilled.

The Group has set up an economic hedge by purchasing Treasury Shares at inception of the ESOP. Accordingly, the Other Reserves (representing the cumulative expense arising from ESOP) is transferred into Retained Earnings upon expiry of the ESOP, whether or not the Options vest to the employees.

The cumulative expense recognised for ESOP at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of Options that will ultimately vest.

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**5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)**

When the terms of the ESOP are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of the modification.

When the ESOP is terminated, it is treated as if the Options vested on the date of termination, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new ESOP is substituted for the terminated ESOP and designated as a replacement award on the date that it is granted, the terminated and new ESOPs are treated as if they were a modification of the original ESOP, as described in the previous paragraph.

**5.23. Conversion of Foreign Currency Transactions**

Foreign currency transactions are converted and recorded in Saudi Riyals at standard exchange rates which are periodically set to reflect average market rates or forward rates if the transactions were so covered. At the reporting date, monetary assets and liabilities denominated in foreign currencies are converted into Saudi Riyals at the exchange rates ruling on such date or at the forward purchase rates if so covered. Any resulting exchange differences are charged or credited to the Consolidated Statement of Profit or Loss as appropriate.

As at the reporting date, the assets and liabilities of these subsidiaries are translated into Saudi Riyal (SAR), at the rate of exchange ruling at the Consolidated Statement of Financial Position date and their Consolidated Statement of Profit or Loss are translated at the weighted average exchange rates for the year. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments in respect of these components of equity are recorded through Consolidated Statement of Other Comprehensive Income as a separate component of equity.

**5.24. 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 Group recognizes revenue when a customer obtains controls 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.

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

No element of financing component is deemed present as the sales are made either on cash or on credit term consistent with market practice.

**5.25. Government Grants**

The Group receives government grants on import of feeds for its biological assets and production of infant nutrition products. Government grants are initially recognized within other liabilities at fair value when there is reasonable assurance that it will be received, and the Group will comply with the conditions associated with the grant.

Government grants are recognized in the Consolidated Statement of Profit or Loss on a systematic basis over the periods in which the Group recognizes as expenses the related inventories which the grants are intended to compensate.

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**5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)**

**5.26. Selling, Distribution, General and Administration Expenses**

Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis.

**5.27. Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

**5.28. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalised during idle periods.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in the Consolidated Statement of Other Comprehensive Income and released to the Consolidated Statement of Profit or Loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Consolidated Statement of Profit or Loss in the period in which they are incurred.

**5.29. Segmental Reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's relevant Business Heads' which in the Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's relevant Business Heads' include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**6. USE OF JUDGEMENTS AND ESTIMATES**

The preparation of these Consolidated Financial Statements, in conformity with IFRS as endorsed in the Kingdom of Saudi Arabia, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the Consolidated Statement of Financial Position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

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**6. USE OF JUDGEMENTS AND ESTIMATES (Continued..)**

**6.1. Judgement**

Information about the judgement made in applying the Group's accounting policy on biological assets with respect to dairy herd and poultry flock is given below;

**Dairy Herd:** At cost less accumulated depreciation and impairment losses. IAS 41 "Agriculture" requires measurement at fair value less costs to sell from initial recognition of such biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. Management has concluded as follows:

Level 1 - there is no active market for dairy cows in the Kingdom of Saudi Arabia and therefore a level 1 valuation is not possible.

Level 2 - there is no observable market data available and due to the significant differences in location, environment, associated costs, average yield per dairy animal, majority of distribution within the Kingdom of Saudi Arabia and distance to active markets means that a level 2 valuation is not possible.

Level 3 –

- i) Discounted cash flow ("DCF") techniques (income or market approach) - the lack of a relevant market for unpasteurized milk or any other intermediate product requires that any DCF valuation technique would use overall revenue as a basis for any valuation and then eliminate costs and associated profit margin relating to pasteurization, manufacturing, packaging and sales and distribution so as to determine the net indirect cash inflows arising from the production of unpasteurized milk. Management considers that any fair value so derived would be clearly unreliable as the costs of the dairy herd operation are a relatively small part of the Group's overall activities and any imputed cash flows derived from such a valuation approach would be overly dependent on a large number of assumptions, many of which could not be derived from, or compared to, market assumptions or observed data.
- ii) Cost or current replacement cost – management considers that any replacement cost approach would need to incorporate the cost of replacing new-born calves. As discussed above, level 1 and 2 valuations for dairy animals are not possible.

As the dairy herd is currently accounted for at cost less accumulated depreciation and impairment losses, which excludes any costs for the purchase of new born calves (as they are a necessary part of the lactation cycle), management believes that any depreciated replacement cost of existing nature and size (could it be so determined) would not be less than the current carrying value of the dairy herd.

**Poultry flock:** At cost less accumulated depreciation and impairment losses. IAS 41 "Agriculture" requires measurement at fair value less costs to sell from initial recognition of such biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. Given the relatively short life of the poultry flock (less than a year), management believes that any differences between depreciated cost and fair value are not material.

**6.2. Assumptions and estimation uncertainties**

Assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amount of assets and liabilities are included in following notes;

- Refer to note 9: Goodwill - Annual impairment testing of goodwill.
- Refer to note 14: Trade Receivables - Allowance for impairment of trade receivables.
- Refer to note 22: Measurement of employee retirement benefits obligations - key actuarial assumptions.
- Refer to note 13: Inventories - Allowance for slow moving inventories.

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**7. PROPERTY, PLANT AND EQUIPMENT**

	Bearer Plant						
	Land and Buildings	Plant, Machinery and Equipment	Motor Vehicles	Capital Work-in- Progress	Mature Plantations	Immature Plantations	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>Cost</b>							
At 1 January 2019	13,112,184	14,156,377	2,701,397	3,349,095	223,727	26,448	33,569,228
On acquisition of subsidiaries	13,668	16,618	224	-	-	-	30,510
Additions during the year	-	-	-	1,509,650	-	38,515	1,548,165
Transfers during the year	1,742,832	1,720,247	300,121	(3,763,200)	32,327	(32,327)	-
Disposals during the year	(59,209)	(297,305)	(108,778)	-	(41,692)	-	(506,984)
Currency Translation Difference	15,062	40,261	3,888	40,943	3	-	100,157
<b>At 31 December 2019</b>	<b>14,824,537</b>	<b>15,636,198</b>	<b>2,896,852</b>	<b>1,136,488</b>	<b>214,365</b>	<b>32,636</b>	<b>34,741,076</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 January 2019	2,383,101	6,859,219	1,525,740	-	194,626	-	10,962,686
Depreciation for the year	411,724	963,703	238,602	-	24,597	-	1,638,626
Disposals during the year	(46,683)	(282,332)	(94,995)	-	(41,692)	-	(465,702)
Impairment of Assets (Ref 29.2)	-	9,224	-	-	-	-	9,224
Currency Translation Difference	2,260	15,106	1,987	-	1	-	19,354
<b>At 31 December 2019</b>	<b>2,750,402</b>	<b>7,564,920</b>	<b>1,671,334</b>	<b>-</b>	<b>177,532</b>	<b>-</b>	<b>12,164,188</b>
<b>Net Book Value</b>							
<b>At 31 December 2019</b>	<b>12,074,135</b>	<b>8,071,278</b>	<b>1,225,518</b>	<b>1,136,488</b>	<b>36,833</b>	<b>32,636</b>	<b>22,576,888</b>

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**7. PROPERTY, PLANT AND EQUIPMENT (Continued..)**

	Bearer Plants						
	Land and Buildings	Plant, Machinery and Equipment	Motor Vehicles	Capital Work-in- Progress	Mature Plantations	Immature Plantations	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>Cost</b>							
At 1 January 2018	11,991,774	12,831,133	2,600,134	4,262,315	175,930	51,563	31,912,849
On acquisition of subsidiary	87,434	11,673	1,778	-	-	-	100,885
Additions during the year	-	-	-	1,895,277	-	35,959	1,931,236
Transfers during the year	1,110,437	1,464,080	230,953	(2,805,470)	59,266	(59,266)	-
Disposals during the year	(76,547)	(147,797)	(131,018)	-	(11,461)	-	(366,823)
Currency Translation Difference	(914)	(2,712)	(450)	(3,027)	(8)	(1,808)	(8,919)
<b>At 31 December 2018</b>	<b>13,112,184</b>	<b>14,156,377</b>	<b>2,701,397</b>	<b>3,349,095</b>	<b>223,727</b>	<b>26,448</b>	<b>33,569,228</b>
<b>Accumulated Depreciation and Impairment</b>							
At 1 January 2018	1,998,434	6,040,585	1,358,073	-	114,065	-	9,511,157
Depreciation for the year	407,687	929,770	252,821	-	93,828	-	1,684,106
Disposals during the year	(66,677)	(144,096)	(104,474)	-	(11,461)	-	(326,708)
Impairment of Assets (Ref 29.2)	43,772	34,117	19,447	-	-	-	97,336
Currency Translation Difference	(115)	(1,157)	(127)	-	(1,806)	-	(3,205)
<b>At 31 December 2018</b>	<b>2,383,101</b>	<b>6,859,219</b>	<b>1,525,740</b>	<b>-</b>	<b>194,626</b>	<b>-</b>	<b>10,962,686</b>
<b>Net Book Value</b>							
<b>At 31 December 2018</b>	<b>10,729,083</b>	<b>7,297,158</b>	<b>1,175,657</b>	<b>3,349,095</b>	<b>29,101</b>	<b>26,448</b>	<b>22,606,542</b>

7.1 Capital Work-in-Progress includes SAR 24.0 million of borrowing costs capitalised during the year. (2018: SAR 42.4 million).

7.2. Refer note 21 for information on property, plant and equipment pledged as security by the Group.

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**8. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES**

Right-of-use assets - class wise depreciation charge and balances are as follows:

	31 December 2019		31 December 2018	
	Depreciation	Balance	Depreciation	Balance
	SAR '000	SAR '000	SAR '000	SAR '000
Land	28,654	198,229	26,754	268,390
Buildings	69,477	237,361	65,281	252,026
Vehicles	2,070	12,107	1,608	11,914
Equipments	126	410	96	875
Plant and Machinery	1,461	13,268	993	14,728
<b>Total Right-of-Use Assets</b>	<b>101,788</b>	<b>461,375</b>	<b>94,732</b>	<b>547,933</b>

Additions to Right-of-Use assets during the year ended 31 December 2019 are SAR 17.5 million (31 December 2018: SAR 40.2 million).

Lease liabilities as at year end are as follows:

	31 December 2019	31 December 2018
	SAR '000	SAR '000
Non-Current portion of Lease Liabilities	335,659	409,703
Current portion of Lease Liabilities	95,750	89,796
<b>Total Lease Liabilities</b>	<b>431,409</b>	<b>499,499</b>

The total interest expense on lease liabilities recognized during the year ended 31 December 2019 is SAR 20.0 million. (31 December 2018: SAR 21.8 million).

Expenses relating to short-term and low-value leases are SAR 4.1 million and SAR 1.9 million respectively.

**9. INTANGIBLE ASSETS AND GOODWILL**

	31 December 2019	31 December 2018
	SR '000	SR '000
Software Licenses (Refer 9.1)	187,400	104,036
Goodwill (Refer 9.2)	941,133	934,335
	<b>1,128,533</b>	<b>1,038,371</b>

**9.1 Software Licenses**

	Software Licenses	Software Licenses in Progress*	Total
	SAR '000	SAR '000	SAR '000
<b>Cost</b>			
At 1 January 2019	233,273	32,814	266,087
Additions during the year	-	132,983	132,983
Transfers during the year	130,389	(130,389)	-
Disposals during the year	(635)	-	(635)
Currency Translation Difference	756	-	756
<b>At 31 December 2019</b>	<b>363,783</b>	<b>35,408</b>	<b>399,191</b>

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**9. INTANGIBLE ASSETS AND GOODWILL (Continued...)**

	Software Licenses	Software Licenses in Progress*	Total
	SAR '000	SAR '000	SAR '000
<b>Accumulated Amortisation</b>			
At 1 January 2019	162,051	-	162,051
Amortisation for the year	49,938	-	49,938
Disposals during the year	(635)	-	(635)
Currency Translation Difference	437	-	437
<b>At 31 December 2019</b>	<b>211,791</b>	<b>-</b>	<b>211,791</b>
<b>Net Book Value</b>			
<b>At 31 December 2019</b>	<b>151,992</b>	<b>35,408</b>	<b>187,400</b>
<b>Cost</b>			
At 1 January 2018	197,791	28,710	226,501
Additions during the year	-	39,797	39,797
Transfers during the year	35,695	(35,695)	-
Disposals during the year	(156)	-	(156)
Currency Translation Difference	(57)	2	(55)
<b>At 31 December 2018</b>	<b>233,273</b>	<b>32,814</b>	<b>266,087</b>
<b>Accumulated Amortisation</b>			
At 1 January 2018	114,782	-	114,782
Amortisation for the year	47,451	-	47,451
Disposals during the year	(156)	-	(156)
Currency Translation Difference	(26)	-	(26)
<b>At 31 December 2018</b>	<b>162,051</b>	<b>-</b>	<b>162,051</b>
<b>Net Book Value</b>			
<b>At 31 December 2018</b>	<b>71,222</b>	<b>32,814</b>	<b>104,036</b>

\*Software licenses in progress include certain software under installation.

**9.2 Goodwill**

The goodwill relates to the acquisition of Western Bakeries Company Limited (WB) in 2007, Hail Agricultural Development Company (HADCO) in 2009 and International Dairy and Juice Limited (IDJ) in 2012.

	WB	HADCO	IDJ	Total
	SAR '000	SAR '000	SAR '000	SAR '000
<b>Cost</b>				
At 1 January 2019	548,636	244,832	469,049	1,262,517
Currency Translation Difference	-	-	6,798	6,798
<b>At 31 December 2019</b>	<b>548,636</b>	<b>244,832</b>	<b>475,847</b>	<b>1,269,315</b>
<b>Accumulated Impairment</b>				
At 1 January 2019	-	-	328,182	328,182
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>328,182</b>	<b>328,182</b>
<b>Net Carrying Value</b>				
<b>At 31 December 2019</b>	<b>548,636</b>	<b>244,832</b>	<b>147,665</b>	<b>941,133</b>



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**9. INTANGIBLE ASSETS AND GOODWILL (Continued...)**

	WB	HADCO	IDJ	Total
	SAR '000	SAR '000	SAR '000	SAR '000
<b>Cost</b>				
At 1 January 2018	548,636	244,832	469,602	1,263,070
Currency Translation Difference	-	-	(553)	(553)
<b>At 31 December 2018</b>	<b>548,636</b>	<b>244,832</b>	<b>469,049</b>	<b>1,262,517</b>
<b>Accumulated Impairment</b>				
At 1 January 2018	-	-	328,182	328,182
<b>At 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>328,182</b>	<b>328,182</b>
<b>Net Carrying Value</b>				
<b>At 31 December 2018</b>	<b>548,636</b>	<b>244,832</b>	<b>140,867</b>	<b>934,335</b>

WB forms part of the Bakery Products reporting segment, HADCO represents Poultry reporting segment while IDJ falls under the Dairy and Juice reporting segment having its cash generating units in Jordan and Egypt by the name of Teeba and Beyti respectively.

Goodwill is subject to annual impairment testing. Assets are tested for impairment by comparing the carrying amount of each cash-generating unit (CGU) to the recoverable amount which has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five-year period. The discount rate applied to cash flow projections varies between 7.5% and 19.6% as relevant for each CGU and the terminal value. Terminal value is calculated using earnings multiple / Gordon Growth Model for the final year of the forecast period.

The calculation of value in use is most sensitive to the assumptions on sales growth rate and terminal value used to extrapolate cash flows beyond the budget period of 5 years, as well as the factors used in computing terminal value.

**Sensitivity to Changes in Assumptions – Western Bakeries Company Limited**

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

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 4.8%. If all other assumptions kept the same; a reduction of this growth rate by 32.1% would give a value in use equal to the current carrying amount.

(b) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 13.9. If all other assumptions kept the same; a reduction of this multiple to 6.5 would give a value in use equal to the current carrying amount.

**Sensitivity to Changes in Assumptions – HADCO**

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

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**9. INTANGIBLE ASSETS AND GOODWILL (Continued...)**

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 3.9%. If all other assumptions kept the same; a reduction of this growth rate by 77.3% would give a value in use equal to the current carrying amount.

(b) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 14.5. If all other assumptions kept the same; a reduction of this multiple to 6.1 would give a value in use equal to the current carrying amount.

**Sensitivity to Changes in Assumptions – IDJ**

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

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 5.4%. If all other assumptions kept the same; a reduction of this growth rate by 9.5% would give a value in use equal to the current carrying amount.

(b) Terminal Value Multiple

The implied EBITDA multiple of terminal value to final year EBITDA is 13.5. If all other assumptions kept the same; a reduction of this multiple to 9.1 would give a value in use equal to the current carrying amount.

**10. BIOLOGICAL ASSETS**

The Group's biological assets consist of dairy herd, poultry birds and plantations.

Biological assets owned by the Group are measured as follows:

- Dairy Herd and Poultry Flock: At cost less accumulated depreciation and impairment losses, if any (refer note 6.1).

- Crops: The crops that have reached a considerable degree of biological development have been stated at the present value of the net cash flows that will be provided by such crops in progress, estimated on the basis of the degree of biological development and the risks related to the completion of the development process of crops sown.

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>Cost</b>					
At 1 January 2019	1,821,796	131,328	65,273	-	2,018,397
Additions during the year*	630,121	125,359	1,290,551	-	2,046,031
Transfers to inventories	-	-	(1,289,337)	-	(1,289,337)
Disposals during the year	(628,025)	(87,213)	-	-	(715,238)
Currency Translation Difference	27	-	-	-	27
<b>At 31 December 2019</b>	<b>1,823,919</b>	<b>169,474</b>	<b>66,487</b>	<b>-</b>	<b>2,059,880</b>

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**10. BIOLOGICAL ASSETS (Continued...)**

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>Accumulated Depreciation</b>					
At 1 January 2019	531,928	54,630	-	-	586,558
Depreciation for the year	272,930	111,193	-	-	384,123
Disposals during the year	(272,825)	(85,738)	-	-	(358,563)
Currency Translation Difference	7	-	-	-	7
<b>At 31 December 2019</b>	<b>532,040</b>	<b>80,085</b>	<b>-</b>	<b>-</b>	<b>612,125</b>
<b>Net Book Value</b>					
<b>At 31 December 2019</b>	<b>1,291,879</b>	<b>89,389</b>	<b>66,487</b>	<b>-</b>	<b>1,447,755</b>
<b>Measured at Fair Value</b>					
At 1 January 2019	-	-	-	33,166	33,166
Additions during the year	-	-	-	55,066	55,066
Transfers to inventories	-	-	-	(62,298)	(62,298)
Gain arising from changes in Fair Value less Cost to Sell	-	-	-	4,030	4,030
Currency Translation Difference	-	-	-	11	11
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,975</b>	<b>29,975</b>
<b>Carrying Amount</b>					
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,975</b>	<b>29,975</b>
<b>Biological Assets Classification:</b>					
<b>At 31 December 2019</b>					
Biological assets classified as Non-Current Assets	1,291,879	89,389	-	-	1,381,268
Biological assets classified as Current Assets	-	-	66,487	29,975	96,462
	<b>1,291,879</b>	<b>89,389</b>	<b>66,487</b>	<b>29,975</b>	<b>1,477,730</b>

\* Additions include Biological Assets appreciation amounting to SAR 629.8 million. (2018: SAR 639.1 million)

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**10. BIOLOGICAL ASSETS (Continued...)**

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>Cost</b>					
At 1 January 2018	1,755,268	83,534	49,732	-	1,888,534
Additions during the year*	639,142	97,765	1,150,403	-	1,887,310
Additions on acquisition of subsidiary	-	25,276	-	-	25,276
Transfers to inventories	-	-	(1,134,862)	-	(1,134,862)
Disposals during the year	(572,602)	(75,247)	-	-	(647,849)
Currency Translation Difference	(12)	-	-	-	(12)
<b>At 31 December 2018</b>	<b>1,821,796</b>	<b>131,328</b>	<b>65,273</b>	<b>-</b>	<b>2,018,397</b>
	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>Accumulated Depreciation</b>					
At 1 January 2018	526,641	28,819	-	-	555,460
Depreciation for the year	213,068	100,770	-	-	313,838
Disposals during the year	(207,776)	(74,959)	-	-	(282,735)
Currency Translation Difference	(5)	-	-	-	(5)
<b>At 31 December 2018</b>	<b>531,928</b>	<b>54,630</b>	<b>-</b>	<b>-</b>	<b>586,558</b>
<b>Net Book Value</b>					
<b>At 31 December 2018</b>	<b>1,289,868</b>	<b>76,698</b>	<b>65,273</b>	<b>-</b>	<b>1,431,839</b>
<b>Measured at Fair Value</b>					
At 1 January 2018	-	-	-	37,589	37,589
Additions during the year	-	-	-	464,351	464,351
Transfers to inventories	-	-	-	(467,572)	(467,572)
Loss arising from changes in Fair Value less Cost to Sell	-	-	-	(1,214)	(1,214)
Currency Translation Difference	-	-	-	12	12
<b>At 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,166</b>	<b>33,166</b>
<b>Carrying Amount</b>					
<b>At 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,166</b>	<b>33,166</b>
<b>Biological Assets Classification:</b>					
<b>At 31 December 2018</b>					
Biological assets classified as Non-Current Assets	1,289,868	76,698	-	-	1,366,566
Biological assets classified as Current Assets	-	-	65,273	33,166	98,439
	<b>1,289,868</b>	<b>76,698</b>	<b>65,273</b>	<b>33,166</b>	<b>1,465,005</b>

\* Additions include Biological Assets appreciation amounting to SAR 639.1 million.

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**10. BIOLOGICAL ASSETS (Continued..)**

Dairy Herd represents cows held for milk production.

Parent Poultry Birds are held for the purpose of laying eggs which are hatched into Broiler Birds (Other Poultry).

Crops are mainly held for the purpose of serving as animal feed which are consumed internally.

**Agricultural Risk Management.**

The Group is subject to following risks relating to its agricultural activities:

**a) Failure to secure long-term production of fodder**

Fodder production has been strategically shifted overseas/outside KSA as per domestic law and regulations. Almarai has developed an extensive supply chain network in Romania, North and South America, covering both own and sourced fodder production, to ensure continuous supply of fodder for its dairy herd. KSA farms also carry a large Inventory of forage to ensure no disruption of supply.

**b) Large scale loss of biological assets due to disease/pandemic**

Strong bio-security procedures, livestock located on multiple sites to reduce risk, disease control and vaccination program in place along with screening and quarantine of incoming animals. Professional vet group within the farming division ensure large scale losses do not occur.

**c) Severe operational disruption (Fire, Flood etc.)**

Almarai is prepared to respond to operational disruptions to minimize losses and remain viable. An effective Business Continuity Plan is continually reviewed and adapted for the changing nature of operational disruptions. Risk assessments are continually performed to identify possible events that could cause significant disruptions. Risk of business disruption from flood has been removed through farm design. Farm buildings are constructed in areas that do not have flash floods and also elevated above ground level.

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**11. INVESTMENTS**

The investments comprise the following:

	<b>Nature</b>	<b>Principal activity</b>	<b>Place of Incorporation</b>	<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
				<b>%</b>	<b>%</b>	<b>SAR '000</b>	<b>SAR '000</b>
<b>Investments in Associates and Joint Venture</b>							
Almarai Company W.L.L.	Joint Venture	Dormant	Qatar	50.0%	50.0%	204	204
		Source, Process and					
Maria Fondomonte S.A. (Refer note 11.1)	Associate	Sale of Forage	Romania	49.0%	-	87,825	-
		Supplies				88,029	204
				<b>31 December 2019</b>	<b>31 December 2018</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
				<b>%</b>	<b>%</b>	<b>SAR '000</b>	<b>SAR '000</b>
<b>Equity Investment (Refer note 11.2)</b>							
Mobile Telecommunications Company							
Saudi Arabia - ("Zain")				2.1%	2.1%	145,684	102,624

**11.1.** On 23 Safar 1441 A.H. (22 October 2019) the Group, through its subsidiary Almarai Investment Holding Company W.L.L., obtained 49% equity interest in Maria Fondomonte S.A. for a cash consideration of SAR 87.8 million (EUR 21.0 million). Maria Fondomonte S.A.'s main operations are to source, process and sale of forage supplies to the Group and its acquisition will add to the Group's on-going efforts to further streamline, integrate and strengthen its feed supply.

**11.2.** The equity investment of 12.4 million shares in Zain is measured at fair value based on quoted market price available on the Saudi Stock Exchange (Tadawul). The fair valuation resulted in unrealised gain of SAR 43.1 million for the year ended 31 December 2019 which is presented within Consolidated Statement of Other Comprehensive Income.

The Company has pledged Zain shares to Banque Saudi Fransi ("BSF") to secure the BSF loan to Zain KSA.

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**12. BUSINESS COMBINATION**

**12.1. Pure Breed Poultry Company Limited ("Pure Breed")**

The Group obtained control of Pure Breed on 17 Rajab 1439 A.H. (2 April 2018). Details of this acquisition were disclosed in note 11 of the Group's Consolidated Financial Statements for the year ended 31 December 2018.

As at 31 December 2018, the Group had accounted for the transaction provisionally based on the carrying values of the assets and liabilities (with the exception of the previously held equity interest) as of the acquisition date. During the current year, the Group finalised the allocation of purchase consideration to the identifiable assets, liabilities and contingent liabilities acquired and there was no change to the provisionally recognised values of assets and liabilities, as disclosed in note 11 of the Consolidated Financial Statements for the year ended 31 December 2018.

On 15 Dhul-Qa'dah 1441 A.H. (18 July 2019), the Group has acquired further shares for the consideration of SAR 43.5 million. (Refer Note 1) (2018: SAR 3.8 million)

	<b>Fair Value on Acquisition SAR'000</b>
<b>Assets Acquired:</b>	
<b>Non-Current Assets</b>	
Property, Plant and Equipment	100,885
Biological Assets	25,276
	<b>126,161</b>
<b>Current Assets</b>	
Cash and Cash Equivalents	16,441
Trade Receivables and Prepayments	20,766
Inventories	6,574
	<b>43,781</b>
<b>Total Assets</b>	<b>169,942</b>
<b>Liabilities Assumed:</b>	
<b>Non-Current Liabilities</b>	
Loans and Borrowings	2,883
Employee Retirement Benefits	6,798
	<b>9,681</b>
<b>Current Liabilities</b>	
Loans and Borrowings	360
Trade and Other Payables	14,588
	<b>14,948</b>
<b>Total Liabilities</b>	<b>24,629</b>
<b>Total Identifiable Net Assets</b>	<b>145,313</b>
<b>Total Acquisition Cost</b>	<b>145,313</b>
<b>Total Acquisition Cost:</b>	
Cash Consideration	20,313
Fair Value of Previously Held Equity Interest	60,938
NCI	64,062
<b>Total</b>	<b>145,313</b>
<b>Cash Outflow on Acquisition:</b>	
Net Cash Acquired with the Subsidiary	16,441
Cash Paid	(20,313)
<b>Net Cash Outflow</b>	<b>(3,872)</b>

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**12. BUSINESS COMBINATION (Continued..)**

**12.2. Premier Foods Industries Company L.L.C**

As explained in note 1, the Group acquired Premier Foods on 22 Ramadan 1440 A.H (27 May 2019), as the Group effectively obtained control of Premier Foods from that date. The acquired business contributed revenues of SAR 65.7 million and net loss of SAR 10.6 million to the Group from the period from 27 May 2019 to 31 December 2019. If the acquisition had taken place at the beginning of the year, the consolidated revenue and loss for the year ended 31 December 2019 would have been impacted by SAR 117.6 million and SAR 14.4 million, respectively.

The assets and liabilities recognised as a result of the acquisition are as follows:

	<b>Fair Value on Acquisition SAR'000</b>
<b><u>Assets Acquired:</u></b>	
<b><u>Non-Current Assets</u></b>	
Property, Plant and Equipment	30,510
Right-of-Use Assets	26,196
	<b>56,706</b>
<b><u>Current Assets</u></b>	
Cash and Cash Equivalents	1,568
Trade Receivables, Prepayments and Other Receivables	77,096
Inventories	26,091
	<b>104,755</b>
<b>Total Assets</b>	<b>161,461</b>
<b><u>Liabilities Assumed:</u></b>	
<b><u>Non-Current Liabilities</u></b>	
Lease Liability	21,880
Employee Retirement Benefits	5,684
	<b>27,564</b>
<b><u>Current Liabilities</u></b>	
Lease Liability	3,837
Trade and Other Payables	11,443
	<b>15,280</b>
<b>Total Liabilities</b>	<b>42,844</b>
 Total Identifiable Net Assets	 <b>118,617</b>
Total Acquisition Cost	<b>118,617</b>
<b><u>Cash Outflow on Acquisition:</u></b>	
Net Cash Acquired with the Subsidiary	1,568
Cash Paid	(99,161)
Net Cash Outflow	<b>(97,593)</b>

Out of total purchase consideration of SAR 118.6 million, SAR 99.1 million was paid in cash with remainder settled against the amounts payable to Premier Foods prior to the acquisition.



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	31 December 2019 SAR '000	31 December 2018 SAR '000
<b>13. INVENTORIES</b>		
Raw Materials	3,439,823	3,036,534
Finished Goods	454,660	518,166
Spares	544,761	518,697
Work in Progress	150,835	209,489
Total Inventories	4,590,079	4,282,886
Allowance for Slow Moving Inventories (Refer note 13.1)	(392,074)	(408,693)
Total	4,198,005	3,874,193
 13.1. Movement in the allowance for slow moving inventories:		
Opening balance	408,693	459,198
Reversed during the year	(13,803)	(34,574)
Written off during the year	(2,816)	(15,931)
Closing balance	392,074	408,693
 13.2. Allowance for slow moving inventories is based on nature of inventories, ageing profile, their expiry and sales expectation based on historic trends and other qualitative factors.		
	31 December 2019 SAR '000	31 December 2018 SAR '000
<b>14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Trade Receivables - Third Parties	1,066,329	1,038,088
- Related Parties (Refer Note 35)	154,300	142,413
	1,220,629	1,180,501
Less: Allowance for impairment of trade receivables (Refer note 37.2)	(91,510)	(57,333)
Net Trade Receivables	1,129,119	1,123,168
Prepayments	413,946	441,313
Government Grants	195,424	183,210
Other Receivables	130,406	165,511
	1,868,895	1,913,202
 <b>Ageing of Trade Receivables</b>		
Upto 2 months	1,032,123	919,415
2 - 3 months	89,218	87,535
More than 3 months	99,288	173,551
	1,220,629	1,180,501
 14.1. Movement in allowance for impairment of trade receivables is as follows:		
At the beginning of the year	57,333	76,824
Allowance made / (reversed) during the year (Refer Note 14.4)	34,177	(19,491)
At the end of the year	91,510	57,333

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**14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES (Continued..)**

14.2. Trade receivables disclosed above are classified as financial assets at amortised cost.

14.3. The average credit period on sales of goods is 29 days (2018: 28 days).

14.4. It includes SAR 2.1 million trade receivables written off during the year (2018: SAR 0.5 million). Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

<b>31 December</b>	<b>31 December</b>
<b>2019</b>	<b>2018</b>
<b>SAR '000</b>	<b>SAR '000</b>

**15. TIME DEPOSIT**

Time Deposit

590,038	-
<u>590,038</u>	<u>-</u>

15.1 The average rate on time deposit (Murabaha) is 2.5% with a maturity of less than one year.

<b>31 December</b>	<b>31 December</b>
<b>2019</b>	<b>2018</b>
<b>SAR '000</b>	<b>SAR '000</b>

**16. CASH AND BANK BALANCES**

Cash at Bank - Current accounts

392,575

850,650

Cash at Bank - Deposits (Refer note 16.1)

23,271

192,644

Cash in Hand

141,707

139,608

<u>557,553</u>	<u>1,182,902</u>
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16.1 The average rate on bank deposits during 2019 is 1.7% (2018: 2.6 %) per annum with an average maturity of two months.

**17. SHARE CAPITAL**

The Company's share capital at 31 December 2019 amounted to SAR 10,000 million (2018: SAR 10,000 million), consisting of 1,000 million (2018: 1,000 million) fully paid and issued shares of SAR 10 each.

**18. EMPLOYEE STOCK OPTION PROGRAM (ESOP)**

The Company has offered certain employees (the "Eligible Employees") the option (the "Option") for equity ownership (treasury shares) opportunities and performance-based incentives which will result in more alignment between the interest of both shareholders and these employees. The vesting of the Option is dependent on meeting performance targets (such as earnings per share) set by the Company along with the required period of stay in service by the Eligible Employees. The exercise of the Option is contingent upon the shares of the Company continuing to be listed on the Saudi Stock Exchange (Tadawul).

Treasury shares that have not been granted to Eligible Employees in the reporting period for which those were earmarked shall carry over to the next reporting period.

In the event of a capital increase, share split or dividend distribution (in the form of shares), the number of shares and the exercise price subject to the Option will be adjusted accordingly.

The number of share options and the exercise price has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

The ESOP 2015 was granted in Dul Qadah 1436 A.H. (August 2015). The number of shares shall not exceed 2,283,000 shares.

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**18. EMPLOYEE STOCK OPTION PROGRAM (ESOP) (Continued...)**

The ESOP 2016 was granted in Jumada Al-Thani 1437 A.H. (April 2016). The number of shares shall not exceed 2,933,333 shares.

The ESOP 2017 was granted in Muharram 1439 A.H. (February 2017). The number of shares shall not exceed 4,125,000 shares.

The ESOP 2018 was granted in Muharram 1440 A.H. (September 2018). The number of shares shall not exceed 4,000,000 shares.

The ESOP 2019 was granted in Dhul-Hijjah 1440 A.H. (August 2019). The number of shares shall not exceed 4,500,000 shares.

The following table sets out the number of the, and movements in, share options during the year:

	31 December 2019	31 December 2018
At the beginning of the year	9,993,968	7,726,000
Granted during the year	4,300,000	4,000,000
Settled during the year	(2,160,988)	(1,024,951)
Forfeited during the year	(1,294,922)	(707,081)
At the end of the year	<u>10,838,058</u>	<u>9,993,968</u>

The fair value per Option is estimated at the grant date using the Black Scholes Merton pricing model, taking into account the terms and conditions upon which the share options were granted.

	ESOP 2015	ESOP 2016	ESOP 2017	ESOP 2018	ESOP 2019
Input to the Model:					
Dividend Yield (%)	1.1%	2.2%	1.8%	1.4%	1.5%
Expected Volatility (%)	25.0%	33.2%	15.0%	19.1%	22.9%
Risk Free Interest Rate (%)	5.0%	5.0%	5.0%	3.0%	3.0%
Contractual Life of Share Options (Years)	2.5	2.8	3.0	2.4	2.5
Share Price (SAR) at Grant Date	90.5	52.5	55.6	49.2	51.9
Exercise Price (SAR) at Grant Date	73.5	45.0	46.0	55.0	55.0
Fair Value per Option	26.7	15.7	13.9	4.1	6.7
Exercise Price (SAR) after bonus split	44.1	36.0	46.0	55.0	55.0
Remaining Contractual Life (Years)	-	-	0.1	1.4	2.6
Weighted Average Share Price during the year	51.4	44.4	58.8	53.2	52.6

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the Options is indicative of future trends, which may also not necessarily be the actual outcome.

The following table shows movement during the year:

	31 December 2019 SAR '000	31 December 2018 SAR '000
<b>TREASURY SHARES</b>		
At the beginning of the year	593,567	453,156
Acquired during the year	314,930	222,707
Disposed off on exercise of options	(137,757)	(82,296)
At the end of the year	<u>770,740</u>	<u>593,567</u>

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	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	SAR '000	SAR '000
<b>19. OTHER RESERVES</b>		
Hedging Reserve	(3,754)	(6,660)
Currency Translation Reserve	565,658	611,585
Others	(111,317)	(84,425)
	<u>450,587</u>	<u>520,500</u>

**20. NON-CONTROLLING INTERESTS**

Summarized aggregate financial information of the Group's subsidiaries that has material non-controlling interests (Refer note1) is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	SAR '000	SAR '000
Non-current assets	2,110,043	1,568,082
Current assets	745,113	677,028
Non-current liabilities	524,129	376,897
Current liabilities	700,358	616,003
Equity attributable to owners of the Company	1,647,085	1,252,210
Non-Controlling Interests	605,771	586,061
Revenue	2,462,539	2,425,943
Expenses	(2,467,397)	(2,407,638)
Net (Loss) / Profit for the year	(4,858)	18,305
Net Profit / (Loss) attributable to:		
Owners of the Company	6,042	19,952
Non-Controlling Interests	(10,181)	(3,417)
Total Comprehensive Income / (Loss) attributable to:		
Owners of the Company	94,792	(12,046)
Non-Controlling Interests	27,230	(5,267)
Total Comprehensive Income / (Loss) for the year	122,022	(17,313)

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		31 December 2019 SAR '000	31 December 2018 SAR '000
<b>21. LOANS AND BORROWINGS</b>			
Islamic Banking Facilities (Murabaha)	21.1	5,119,508	7,231,948
Saudi Industrial Development Fund	21.2	2,665,478	2,146,926
Banking Facilities of Non-GCC Subsidiaries	21.3	363,296	339,214
Supranational	21.4	276,099	278,614
Agricultural Development Fund	21.5	159,173	176,938
Banking Facilities of GCC Subsidiaries	21.6	-	150,314
		8,583,554	10,323,954
Sukuk	21.7	2,408,180	3,422,308
International Sukuk	21.7	1,891,986	-
		12,883,720	13,746,262
Short Term Loans		51,419	25,521
Current Portion of Long Term Loans		1,934,974	2,068,771
<b>Loans - Current Liabilities</b>		1,986,393	2,094,292
<b>Loans - Non-Current Liabilities</b>		10,897,327	11,651,970
		12,883,720	13,746,262

21.1. The borrowings under Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group. The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a revolving nature. During the year ended 31 December 2019, the Group entered into new Islamic Banking facilities amounting to SAR 1,850 million. As at 31 December 2019, SAR 7,445.1 million Islamic banking facilities (Murabaha) were unutilised and available for drawdown with maturities predominantly greater than five years. (2018: SAR 5,510.4 million).

21.2. The borrowings of the Group from the Saudi Industrial Development Fund (SIDF) are secured by a mortgage on land and other fixed assets equivalent to the outstanding borrowings. As at 31 December 2019, the Group had SAR 66.8 million of unutilised SIDF facilities available for drawdown with maturities predominantly greater than five years (2018: SAR 192.2 million). Assets held as collateral are subject to restriction of disposal until the loan is settled or the disposal is approved by SIDF.

21.3. These banking facilities of Non-GCC subsidiaries represent foreign currency denominated borrowings, including USD, EGP, JOD and ARS from foreign banking and developing institutions, secured by corporate guarantee given by the Parent Company. As at 31 December 2019, SAR equivalent 461.7 million (2018: SAR 448.6 million) facilities were unutilised and available for drawdown.

21.4. The borrowings granted by Supranational ("IFC"- Member of World Bank Group and "EBRD" - European Bank for Reconstruction and Development) are in USD, secured by promissory notes given by the Group. During the year ended 31 December 2019, the Group entered into new loan facility with EBRD amounting to USD 100 million. As at 31 December 2019, the Group had SAR 656.7 million of unutilised facility available for drawdown (2018: SAR 281.4 million).

21.5. The borrowing from Agriculture Development Fund ("ADF") is secured by a mortgage on land and other fixed assets equivalent to the outstanding borrowings. As at 31 December 2019, the Group had no unutilised ADF facilities available (2018: Nil). Assets mortgaged are subject to the restriction of disposal until the loan is settled or the disposal is approved by ADF.

21.6. The borrowings under GCC subsidiaries are in USD, secured by corporate guarantee given by the Parent Company. As at 31 December 2019, the Group had SAR equivalent 149.9 million unutilised facility available for drawdown (2018: Nil).

21.7. On 14 Rabi Thani 1433 A.H. (7 March 2012), the Company issued its first Sukuk – Series I amounting to SAR 1,000.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on Saudi Arabia Interbank Offered Rate (SIBOR) plus a pre-determined margin payable semi-annually in arrears. The Sukuk was redeemed at par on its date of maturity i.e. 30 Jumada Thani 1440 A.H. (7 March 2019).

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**21. LOANS AND BORROWINGS (Continued...)**

On 19 Jumada Awal 1434 A.H. (31 March 2013), the Company issued its second Sukuk - Series II amounting to SAR 787.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk will be redeemed at par on its date of maturity i.e. 7 Shabaan 1441 A.H. (31 March 2020).

On 19 Jumada Awal 1434 A.H. (31 March 2013), the Company issued its second Sukuk – Series III amounting to SAR 513.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk was redeemed at par on 12 Rajab 1439 A.H. (29 March 2018).

On 3 Dhul Hijja 1436 A.H. (16 September 2015), the Company issued its third Sukuk amounting to SAR 1,600.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk will be redeemed at par on its date of maturity i.e. 20 Safar 1444 A.H. (16 September 2022).

The terms of the Sukuk entitle the Company to commingle its own assets with the Sukuk assets. Sukuk assets comprise the Sukukholders' share in the Mudaraba assets and the Sukukholders' interest in the Murabaha transactions, together with any amounts standing to the credit of the Sukuk account and the reserve retained by the Company from the Sukuk account.

On 28 Jumada Al-Akhirah 1440 A.H. (5 March 2019), the Group issued its first International Sukuk – Series I amounting to USD 500.0 million out of USD 2000.0 million Euro Medium Term Note Programme at a par value of USD 0.2 million each. The International Sukuk Issuance bears a return of 4.3% per annum payable semi-annually in arrears. The International Sukuk will be redeemed at par on its date of maturity i.e. 24 Shaban 1445 A.H. (5 March 2024).

- 21.8.** The loans contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by Management, in case of potential breach, actions are taken by management to ensure compliance. During 2019, there has been no non-compliance for any of the covenants.

	<b>31 December 2019</b>	<b>31 December 2018</b>
	SAR '000	SAR '000
<b>22. <u>EMPLOYEE RETIREMENT BENEFITS</u></b>		
Opening Balance	699,325	621,536
On acquisition of subsidiary	5,684	6,798
<b>Consolidated Statement of Profit or Loss</b>		
Current Service Cost	91,371	89,844
Interest Cost	26,528	19,558
Past Service Cost	-	(742)
<b>Consolidated Statement of Comprehensive Income</b>		
Actuarial Loss	65,770	18,686
<b>Cash Movements:</b>		
Benefits paid	(62,279)	(56,355)
Closing Balance	826,399	699,325

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**22. EMPLOYEE RETIREMENT BENEFITS (Continued..)**

		<b>31 December</b>	<b>31 December</b>
		<b>2019</b>	<b>2018</b>
		<b>SAR '000</b>	<b>SAR '000</b>
<b>Sensitivity in Defined Benefit Obligation</b>			
Salary Inflation	1% Decrease	798,124	623,243
	Base	826,399	699,325
	1% Increase	860,338	779,209
Discount Rate	1% Decrease	888,119	779,277
	Base	826,399	699,325
	1% Increase	774,670	624,665

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee retirement benefits to significant actuarial assumptions, the same method (present value of the employee retirement benefits calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employee retirement benefits recognised in the Consolidated Statement of Financial Position.

**Demographic Assumptions**

		<b>31 December</b>	<b>31 December</b>
		<b>2019</b>	<b>2018</b>
<b>Membership Data (GCC employees)</b>			
Number of Employees		37,447	38,035
Average age of employees (years)		35.1	34.4
Average years of past service		6.7	5.1

Weighted average duration of the defined benefit obligation is 11.4 years.

<b>Country</b>	<b>Gross Discount Rate</b>		<b>Salary Growth Rate</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Saudi Arabia	2.9%	3.9%	2.9%	2.1%
United Arab Emirates	2.7%	3.5%	2.7%	1.9%
Oman	4.7%	6.3%	4.7%	3.0%
Kuwait	2.4%	4.3%	2.4%	2.7%
Bahrain	4.1%	7.8%	4.1%	1.5%
Qatar	-	3.7%	-	2.0%

**Risk Exposure:**

The Group is exposed to a number of risks, the most significant of which are detailed below:

**Inflation risk**

The majority of the plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities.

**Changes in bond yields**

Decrease in corporate bond yields will increase plan liabilities.

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**22. EMPLOYEE RETIREMENT BENEFITS (Continued..)**

**Maturity Analysis**

	Less than a year	Between 1 - 2 years	Between 2 - 5 years	Over 5 years	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>31 December 2019</b>					
Defined benefit obligation	106,756	142,326	305,681	462,597	1,017,360

**23. DEFERRED TAX**

Following are the major deferred tax assets and liabilities recognised by the Group:

	<b>31 December 2019</b>	<b>31 December 2018</b>
	SAR '000	SAR '000
<b>23.1. Deferred Tax Assets</b>		
Opening Balance	11,488	39,926
Credit / (Charge) for the year	27,614	(4,376)
Currency Translation Difference	1,734	(24,062)
Closing Balance	<u>40,836</u>	<u>11,488</u>

Deferred tax assets relate to unused tax losses for its subsidiaries in Argentina and Egypt. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

**23.2. Deferred Tax Liabilities**

	<b>31 December 2019</b>	<b>31 December 2018</b>
	SAR '000	SAR '000
Opening Balance	37,967	48,060
Charge for the year	50,232	-
Currency Translation Difference	15,129	(10,093)
Closing Balance	<u>103,328</u>	<u>37,967</u>

Deferred tax liability of SAR 103.3 million relates to taxable temporary differences arising on Property, Plant and Equipment. This includes SAR 23.8 million on the fair valuation adjustment of land amounting to SAR 68.1 million carried out at the time of business combination of its subsidiaries in Argentina, being the temporary difference between the carrying amount of land for financial reporting purposes and the amount used for taxation purposes.

Liability for deferred taxation comprising temporary differences related to:

Accelerated tax depreciation	79,502	14,141
Fair valuation adjustment of land	23,826	23,826
	<u>103,328</u>	<u>37,967</u>



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	31 December 2019 SAR '000	31 December 2018 SAR '000
<b>24. ZAKAT AND FOREIGN INCOME TAX</b>		
Zakat Provision (Refer note 24.1)	363,488	302,911
Foreign Income Tax Provision (Refer note 24.2)	31,578	13,153
	<u>395,066</u>	<u>316,064</u>

**24.1. Zakat Provision**

Zakat is charged at the higher of net adjusted income or Zakat base as required by the General Authority of Zakat and Tax (GAZT). In the current year, the Zakat charge is based on the net adjusted income method for Almarai Company including HADCO while Zakat charge for MFI is calculated based on Zakat base.

	31 December 2019 SAR '000	31 December 2018 SAR '000
Opening Balance	302,911	256,235
Charge for the year	71,426	49,352
Payments	<u>(10,849)</u>	<u>(2,676)</u>
Closing Balance	<u>363,488</u>	<u>302,911</u>

The Company has filed its Consolidated Zakat returns for all the years up to 2018 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the GAZT for all the years up to 2006 for Almarai Company while Zakat and Tax movement for MFI have been with GAZT for all years up to 2009. During 2018, the Group received assessment orders for Almarai Company and MFI for the years from 2007-2014 and 2009-2013 respectively. Appeals against both assessments have been filed and are under review as at 31 December 2019. Management believes that the decisions on appeal against the open years' assessments will not result in material additional amounts that are already recorded in the Consolidated Financial Statements.

HADCO has filed its Zakat returns for all years up to 2008 and has settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the GAZT for all years up to 2007 while the 2008 Zakat return is under review by the GAZT. From 2009 onwards, HADCO is not required to file a separate return as its results are included in the Company's Consolidated Zakat return.

**24.2. Foreign Income Tax Provision**

	31 December 2019 SAR '000	31 December 2018 SAR '000
Opening Balance	13,153	16,671
Charge for the year	26,853	16,770
Payments	<u>(8,428)</u>	<u>(20,288)</u>
Closing Balance	<u>31,578</u>	<u>13,153</u>

Foreign subsidiaries have filed their tax returns for all years up to 2018 and settled their tax liabilities accordingly. While all the returns have been filed, final assessments are pending for certain years. The earliest year open for assessment is 2010, and the latest year assessed is 2018.

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	<b>31 December 2019</b>	<b>31 December 2018</b>
	SAR '000	SAR '000
<b>25. <u>TRADE AND OTHER PAYABLES</u></b>		
Trade Payable - Third Parties	1,326,630	1,326,865
- Related Parties (Refer note 35)	76,912	105,194
Accrued Expenses (Refer note 25.1)	1,142,964	992,219
Other Payables	472,654	383,764
	<u>3,019,160</u>	<u>2,808,042</u>

25.1. Management considers that the carrying amount of trade payables approximates to their fair value. The average credit period taken for trade purchases is 58 days (2018: 67 days). Accrued expenses include accrued leave obligations amounting to SAR 123.2 million (2018: SAR 120.3 million), accrual against expected sales returns amounting to SAR 50.0 million and accrual against volume discounts amounting to SAR 203.7 million. Other payables include unrecognised portion of Government grants related to inventories held at the reporting date.

	<b>31 December 2019</b>	<b>31 December 2018</b>
	SAR '000	SAR '000
<b>26. <u>COST OF SALES</u></b>		
Material Consumed	5,227,346	4,812,066
Government Grants	(427,815)	(438,659)
Employee Costs	1,651,694	1,422,995
Depreciation of Property, Plant and Equipment	1,368,747	1,403,779
Repairs and Maintenance	506,700	492,159
Depreciation of Biological Assets	384,123	313,838
Telephone and Electricity	325,948	311,325
Vaccines and Drugs	140,382	129,689
Depreciation of Right-of-Use Assets	33,505	29,427
Amortisation of Software Licenses	16,195	12,371
Other Expenses	387,563	380,862
Less:		
Appreciation of Biological Assets (Refer note 10)	(629,785)	(639,089)
	<u>8,984,603</u>	<u>8,230,763</u>

	<b>31 December 2019</b>	<b>31 December 2018</b>
	SAR '000	SAR '000
<b>27. <u>SELLING AND DISTRIBUTION EXPENSES</u></b>		
Employee Costs	1,448,184	1,283,179
Marketing Expenses	326,996	299,377
Depreciation of Property, Plant and Equipment	252,683	262,376
Repairs and Maintenance	152,440	141,843
Depreciation of Right-of-Use Assets	55,263	52,975
Telephone and Electricity	24,137	24,649
Amortisation of Software Licenses	8,495	7,576
Other Expenses	108,130	108,269
	<u>2,376,328</u>	<u>2,180,244</u>

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	31 December 2019 SAR '000	31 December 2018 SAR '000
<b>28. GENERAL AND ADMINISTRATION EXPENSES</b>		
Employee Costs	241,753	218,608
Insurance	64,456	56,281
Repairs and Maintenance	31,829	32,405
Amortisation of Software Licenses	25,248	27,504
Depreciation of Property, Plant and Equipment	17,196	17,951
Depreciation of Right-of-Use Assets	13,020	12,330
Telephone and Electricity	4,012	5,152
Other Expenses	2,759	4,973
	400,273	375,204
	31 December 2019 SAR '000	31 December 2018 SAR '000
<b>29. OTHER EXPENSES, NET</b>		
(Gain) / Loss on Disposal of Property, Plant and Equipment	(4,655)	4,375
Loss on Disposal of Biological Assets (Refer 29.1)	127,886	164,875
Gain on Disposal of Right of Use Assets	(9,322)	-
Exchange Gain	(34,161)	(26,224)
Dividend on Equity Investment	(300)	(225)
Impairment of Assets (Refer note 29.2)	9,224	127,336
Loss on Disposal of Investment	-	4,938
	88,672	275,075

29.1. Each cow within the dairy herd is depreciated over the average useful life of approximately 4 lactations (Refer note 5.11). In order to maintain the size and health of the dairy herd, a significant proportion of the herd is culled or sold each year based on an assessment by management of the productivity, breeding and efficiency of each herd member and only those meeting predefined levels are retained. It is not possible to predict in advance which herd members will be culled early or late and accordingly the average useful life of approximately 4 lactations is applied across the whole of the dairy herd. Underperforming herd members are often sold in a secondary market where the value received for each herd member is generally not linked to the age of the herd member. Herd members culled or sold before 4 lactations will typically have a depreciated cost higher than the expected residual value and thus a loss on disposal will generally arise. Management believe that such loss on disposal broadly offsets the absence of depreciation on those herd members that survive beyond the average 4 lactation period and accordingly neither the profit for the year nor the net carrying cost of the dairy herd as reported in the Consolidated Statement of Financial Position is materially distorted.

29.2. It includes:

**31 December 2019:**

- During the year, Beyti identified idle assets with net book value of SAR 9.2 million which are consider impaired during the year.

**31 December 2018:**

- In accordance with the terms of the Ministerial Council Resolution (66) dated 25 Safer 1440H (corresponding to 07 December 2015) to completely halt the local production of green forage for areas above 50 Hectares, the Group had stopped the production of alfalfa and green forage in the Kingdom of Saudi Arabia. This resulted in impairment of these assets amounted to SAR 47.7 million.

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**29. OTHER EXPENSES, NET (Continued..)**

- Expenses related to the closure of farming operations in 2018, including dilapidation costs and crop input cost, amounted to SAR 30.0 million.
- Part of Teeba business operations were changed in 2018 resulting in an asset impairment charge of SAR 22.8 million.

**30. FINANCE COST, NET**

	<b>31 December 2019</b>	<b>31 December 2018</b>
	SAR '000	SAR '000
Interest and Finance Charges	586,492	462,653
Interest on Lease Liabilities	20,045	21,823
Interest Income on other Deposits	(21,443)	(8,751)
Exchange (Gain) / Loss	(3,055)	7,196
Interest Capitalisation	(23,998)	(42,402)
Net Gain on Settlement of Interest Rate Swap Instrument	(7,302)	(3,753)
	<b>550,739</b>	<b>436,766</b>

**31. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share is based on the following data:

	<b>31 December 2019</b>	<b>31 December 2018</b>
	SAR '000	SAR '000
Profit for the year attributable to the shareholders of the Company	1,811,753	2,011,975
Less: Profit attributable to Sukukholders	-	(55,591)
Earnings for the purposes of basic earnings per share	<b>1,811,753</b>	<b>1,956,384</b>
<b>Number of shares '000'</b>		
Weighted average number of ordinary shares for the purposes of basic earnings	987,628	989,472
Weighted average number of ordinary shares repurchased	12,372	10,528
Weighted average number of ordinary shares for the purposes of diluted earning	<b>1,000,000</b>	<b>1,000,000</b>
<b>Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company</b>		
- Basic	1.83	1.98
- Diluted	1.81	1.96

Weighted average number of shares are retrospectively adjusted to reflect the effect of Bonus Shares and are adjusted to take account of Treasury Shares held under the Almarai Employee Stock Options Programme.

**32. SEGMENT REPORTING**

The Group's principal business activities involve manufacturing and trading of dairy and juice products under Almarai, Joosy Life Beyti and Teeba brands, bakery products under L'usine and 7 Days brands and poultry products under Alyoum and AlBashayer brands. Other activities include Arable, Horticulture and Infant Nutrition. Selected financial information as at 31 December 2019 and 31 December 2018, and for the years then ended, categorised by these business segments, is as follows:

Dairy and Juice	Milk production, dairy and fruits juice product processing and distribution
Bakery	Bakery products manufacturing and distribution
Poultry	Poultry products manufacturing and distribution
Other Activities	Horticulture and Infant Nutrition

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**32. SEGMENT REPORTING (Continued..)**

	<b>Dairy and Juice</b>	<b>Bakery</b>	<b>Poultry</b>	<b>Other Activities</b>	<b>Total</b>
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>31 December 2019</b>					
Revenue	15,412,244	2,582,510	5,926,597	1,200,102	25,121,453
Third Party Revenue	10,209,987	1,749,297	2,124,593	267,400	14,351,277
Depreciation and Amortisation	(1,378,182)	(250,959)	(399,064)	(146,270)	(2,174,475)
Profit / (loss) attributable to Shareholders					
of the Company	1,427,270	235,698	263,690	(114,905)	1,811,753
Profit / (loss)	1,401,976	250,840	263,295	(114,539)	1,801,572
Impairment recognised during the year	9,224	-	-	-	9,224
Total Assets	22,327,971	2,229,028	5,239,310	3,351,733	33,148,042
Total Liabilities	15,668,242	457,357	1,000,988	762,335	17,888,922
<b>31 December 2018</b>					
Revenue	9,989,876	1,641,248	1,800,471	1,311,429	14,743,024
Third Party Revenue	9,919,665	1,641,393	1,800,350	196,429	13,557,837
Depreciation and Amortisation	(1,297,175)	(250,614)	(373,112)	(219,226)	(2,140,127)
Share of Results of Associates	-	-	(4,699)	(714)	(5,413)
Profit / (loss) attributable to Shareholders					
of the Company	1,734,737	192,426	182,451	(97,639)	2,011,975
Share of Other Comprehensive Income of					
Associates	-	-	-	567	567
Profit / (loss)	1,713,399	212,714	180,084	(97,639)	2,008,558
Impairment on non-financial assets	(49,627)			(77,709)	(127,336)
Total Assets	22,144,438	2,354,347	5,330,716	2,953,046	32,782,547
Total Liabilities	16,052,834	471,598	1,082,856	712,615	18,319,903

The Group's revenue is derived from contracts with customers for sale of consumer products. Control of products is transferred at a point in time and directly sold to customers.

Finance cost is not analysed at segment level, as it is driven by the central treasury function, which manages the cash position at the group level.

Segment assets are measured in the same way as in the Consolidated Financial Statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

	<b>Dairy and Juice</b>	<b>Bakery</b>	<b>Poultry</b>	<b>Other Activities</b>	<b>Total</b>
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>31 December 2019</b>					
Saudi Arabia	6,265,550	1,435,593	1,875,567	160,554	9,737,264
Other GCC Countries	2,661,002	304,092	199,331	(91)	3,164,334
Other Countries	1,283,435	9,612	49,695	106,937	1,449,679
Total	10,209,987	1,749,297	2,124,593	267,400	14,351,277
<b>31 December 2018</b>					
Saudi Arabia	6,104,459	1,347,080	1,633,574	94,689	9,179,802
Other GCC Countries	2,670,961	290,416	127,342	1,684	3,090,403
Other Countries	1,144,245	3,897	39,434	100,056	1,287,632
Total	9,919,665	1,641,393	1,800,350	196,429	13,557,837

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**33. CASH FLOW INFORMATION**

**33.1. Cash and Cash Equivalents**

	<b>31 December 2019</b>	<b>31 December 2018</b>
	SAR '000	SAR '000
Cash at Bank - Current accounts	392,575	850,650
Cash at Bank - Deposits	23,271	192,644
Cash in Hand	141,707	139,608
Cash and Bank Balances	<u>557,553</u>	<u>1,182,902</u>
Bank Overdrafts (Refer note 33.2)	<u>(219,118)</u>	<u>(179,321)</u>
Total	<u><u>338,435</u></u>	<u><u>1,003,581</u></u>

33.2. It represents the overdraft facility arrangement in IDJ (Egypt and Jordan) amounting to SAR 437.0 million, secured by corporate guarantee given by the Parent Company. The average rate on overdraft facility during 2019 was 13.5% and 6.5 % per annum for Egypt and Jordan respectively (2018: 18.0% and 7.0%).

**33.3. Non-cash Investing and Finance Activities**

Transfer to Property, Plant and Equipment from Capital Work-in-Progress. (Refer note 7).

Borrowing Cost Capitalised as part of Capital Work-in-Progress. (Refer note 7).

Acquisition of Right-of-Use-Assets. ((Refer note 8).

Transfer to Intangible Assets from Capital Work-in-Progress. (Refer note 9).

Transfer from Immature Plantation to Mature Plantation. (Refer note 7).

**34. COMMITMENT AND CONTINGENCIES**

34.1. The contingent liabilities against letters of credit are SAR 199.7 million at 31 December 2019 (2018: SAR 312.5 million).

34.2. The contingent liabilities against letters of guarantee are SAR 990.8 million at 31 December 2019 (2018: SAR 825.6 million).  
Contingent liabilities against letter of guarantee expire as follows.

	<b>31 December 2019</b>	<b>31 December 2018</b>
	SAR '000	SAR '000
Within one year	398,723	143,746
Two to five years	424,618	501,498
After five years	167,446	180,356
Total	<u><u>990,787</u></u>	<u><u>825,600</u></u>

34.3. The Group had capital commitments amounting to SAR 699.4 million at 31 December 2019 in respect of ongoing projects (2018: SAR 921.6 million). The majority of the capital commitments are for updating the existing production facilities, sales depot development, distribution fleet, fridges and IT equipment.

34.4. Refer to note 24.1 for Zakat related matters.

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**35. RELATED PARTY TRANSACTIONS**

During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2019 along with their balances:

Nature of Transaction	Transaction Amount		Balance at	
	31 December	31 December	31 December	31 December
	2019	2018	2019	2018
	SAR '000	SAR '000	SAR '000	SAR '000
<b>Sales To</b>				
Panda Retail Company	705,028	701,888	153,423	141,855
Herfy Food Services	5,991	6,095	877	558
	<u>711,019</u>	<u>707,983</u>	<u>154,300</u>	<u>142,413</u>
<b>Services To</b>				
Al Kabeer Farms	-	864	-	-
United Farmers Holding Company	-	116	-	-
	<u>-</u>	<u>980</u>	<u>-</u>	<u>-</u>
<b>Subtotal</b>	<b>711,019</b>	<b>708,963</b>	<b>154,300</b>	<b>142,413</b>
<b>Purchases From</b>				
United Sugar Company	63,489	79,315	(4,112)	(5,773)
Al Nafoura Catering	504	325	(66)	(78)
Al Kabeer Farms - Forage	-	63,739	-	(36,828)
Arab Company for Agricultural Services (ARASCO)	11,118	2,327	(2,507)	(512)
	<u>75,111</u>	<u>145,706</u>	<u>(6,685)</u>	<u>(43,191)</u>
<b>Services From</b>				
Arabian Shield Cooperative Insurance Company	136,517	120,498	(70,152)	(62,003)
Todhia Farm	-	813	-	-
Abdulrahman bin Abdulaziz Al Muhanna (Land rent)	173	173	-	-
Zain	3,965	1,418	-	-
Al Jazirah Corporation for Press, Printing and Publishing	184	59	(75)	-
	<u>140,839</u>	<u>122,961</u>	<u>(70,227)</u>	<u>(62,003)</u>
<b>Subtotal</b>	<b>215,950</b>	<b>268,667</b>	<b>(76,912)</b>	<b>(105,194)</b>
<b>Finance Charges</b>				
Yamama Cement Company	-	365	-	-
Saudi British Bank	18,213	14,688	(4,204)	(4,683)
Banque Saudi Fransi	5,908	5,280	(1,456)	(1,656)
Arabian Shield Cooperative Insurance Company	21	101	-	(36)
National Commercial Bank	16,150	11,267	(3,677)	(3,821)
	<u>40,292</u>	<u>31,701</u>	<u>(9,337)</u>	<u>(10,196)</u>
<b>Bank Financing</b>				
Saudi British Bank	52,214	48,581	1,321,146	1,346,621
Banque Saudi Fransi	3,660	8,940	-	393,000
National Commercial Bank	9,962	15,993	235,714	446,429
	<u>65,836</u>	<u>73,514</u>	<u>1,556,860</u>	<u>2,186,050</u>

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**35. RELATED PARTY TRANSACTIONS (Continued..)**

35.1. The related party transactions were made on mutually agreed terms. The related parties, other than subsidiaries and associates, include the following:

<u>Entity</u>	<u>Relationship</u>
Panda Retail Company	Common Ownership
Herfy Food Services	Common Ownership
United Sugar Company	Common Ownership
Afia International Company	Common Ownership
Al Nafoura Catering	Common Ownership
Arab Company for Agricultural Services (ARASCO)	Common Directorship
Yamama Cement Company	Common Directorship
Arabian Shield Cooperative Insurance Company	Common Directorship
Managed Arable Farms	Common Directorship
Mobile Telecommunication Company Saudi Arabia	Common Directorship
Al Jazirah Corporation for Press, Printing and Publishing	Common Directorship
Saudi British Bank	Common Directorship
Banque Saudi Fransi	Common Directorship
National Commercial Bank	Common Directorship
<u>Individual</u>	
Abdulrahman bin Abdulaziz Al Muhanna	Director

35.2. Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by the General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Directors receive fixed remuneration as a result of their direct duties and responsibilities. The top five Senior Executives, including the Chief Executive Officer and the Chief Financial Officer, receive remuneration according to the employment contracts signed with them. The following table illustrates details of remuneration and compensation paid to Directors and Key Management Personnel:

	Non Executive / Independent Board Members	Key Management Personnel	Total	Non Executive / Independent Board Members	Key Management Personnel	Total
	31 December 2019			31 December 2018		
	SAR '000			SAR '000		
Salaries and Compensation	600	8,832	9,432	2,600	7,003	9,603
Allowances	2,192	950	3,142	1,791	1,208	2,999
Annual and Periodic Bonuses	-	31,214	31,214	-	11,784	11,784
Termination Benefits	-	8,043	8,043	-	8,690	8,690
Shared Based Payment Transactions	-	1,215	1,215	-	659	659
In-kind Benefits	-	1,404	1,404	-	942	942
Other Benefits	1,800	286	2,086	1,800	272	2,072
Total	4,592	51,944	56,536	6,191	30,558	36,749

**36. DERIVATIVE FINANCIAL INSTRUMENTS**

At 31 December 2019, the Group had various financial derivatives that were designated as cash flow hedge instruments to cover cash flow fluctuations arising from commission rates, foreign exchange prices and commodity prices that are subject to market price fluctuations. As per Group policy, derivative instruments are not used for trading or speculative purposes.

At 31 December 2019, the Group had 15 commission rate swap agreements in place with a total notional amount of SAR 2,930.9 million. At 31 December 2018, the Group had 26 commission rate swap agreements in place with a total notional amount of SAR 5,606.5 million.

The swaps result in the Group receiving floating SIBOR or LIBOR rates while paying fixed rates of commission rate under certain conditions. The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings.



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**36. DERIVATIVE FINANCIAL INSTRUMENTS (Continued...)**

The Group enters into hedging strategies by using various financial derivatives to cover foreign exchange firm commitments and forecasted transactions that are highly probable.

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item, therefore does not result in basis risk.

All financial derivatives are carried in the Consolidated Statement of Financial Position at fair value. All cash flow hedges are considered highly effective.

The following table detail the notional principal amounts and remaining terms outstanding as at the reporting date:

	Notional amount of the hedging instruments		Carrying amount of the hedging instrument		Carrying amount of the hedged item	
	Current SAR '000	Non-Current SAR '000	Assets SAR '000	Liabilities SAR '000	Assets SAR '000	Liabilities SAR '000
<b>31 December 2019</b>						
Forward currency contracts	1,778,306	697,965	2,600	3,480	2,600	3,480
Interest rate swaps	1,155,901	1,775,000	633	2,629	633	2,629
Commodity Derivatives	467,045	-	11,243	4,613	11,243	4,613
	<b>3,401,252</b>	<b>2,472,965</b>	<b>14,476</b>	<b>10,722</b>	<b>14,476</b>	<b>10,722</b>
<b>31 December 2018</b>						
Forward currency contracts	3,705,877	322,715	5,898	22,137	5,898	22,137
Interest rate swaps	1,500,000	4,106,502	26,050	4,546	26,050	4,546
Commodity Derivatives	303,467	-	8,135	6,740	8,135	6,740
	<b>5,509,344</b>	<b>4,429,217</b>	<b>40,083</b>	<b>33,423</b>	<b>40,083</b>	<b>33,423</b>

**37. FINANCIAL INSTRUMENTS**

**37.1. Fair value measurement of financial instruments**

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. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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**37. FINANCIAL INSTRUMENTS (Continued...)**

	Carrying amount				Fair Value			
	Hedging Instruments	FVOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
<b>31 December 2019</b>	SAR '000.							
<b>Financial Assets</b>								
Derivative Financial Instruments	14,476	-	-	14,476	-	14,476	-	14,476
Equity Investment	-	145,684	-	145,684	145,684	-	-	145,684
Trade and Other Receivables	-	-	1,259,525	1,259,525	-	-	-	-
Time Deposit	-	-	590,038	590,038	-	-	-	-
Cash and Bank Balances	-	-	557,553	557,553	-	-	-	-
	<b>14,476</b>	<b>145,684</b>	<b>2,407,116</b>	<b>2,567,276</b>	<b>145,684</b>	<b>14,476</b>	<b>-</b>	<b>160,160</b>
<b>Financial Liabilities</b>								
Derivative Financial Instruments	10,722	-	-	10,722	-	10,722	-	10,722
Loans and Borrowings	-	-	12,883,720	12,883,720	-	-	-	-
Bank Overdrafts	-	-	219,118	219,118	-	-	-	-
Trade and Other Payables	-	-	3,019,160	3,019,160	-	-	-	-
	<b>10,722</b>	<b>-</b>	<b>16,121,998</b>	<b>16,132,720</b>	<b>-</b>	<b>10,722</b>	<b>-</b>	<b>10,722</b>
<b>31 December 2018</b>								
<b>Financial Assets</b>								
Derivative Financial Instruments	40,083	-	-	40,083	-	40,083	-	40,083
Equity Investment	-	102,624	-	102,624	102,624	-	-	102,624
Trade and Other Receivables	-	-	1,288,679	1,288,679	-	-	-	-
Cash and Bank Balances	-	-	1,182,902	1,182,902	-	-	-	-
	<b>40,083</b>	<b>102,624</b>	<b>2,471,581</b>	<b>2,614,288</b>	<b>102,624</b>	<b>40,083</b>	<b>-</b>	<b>142,707</b>
<b>Financial Liabilities</b>								
Derivative Financial Instruments	33,423	-	-	33,423	-	33,423	-	33,423
Loans and Borrowings	-	-	13,746,262	13,746,262	-	-	-	-
Bank Overdrafts	-	-	179,321	179,321	-	-	-	-
Trade and Other Payables	-	-	2,808,042	2,808,042	-	-	-	-
	<b>33,423</b>	<b>-</b>	<b>16,733,625</b>	<b>16,767,048</b>	<b>-</b>	<b>33,423</b>	<b>-</b>	<b>33,423</b>

Level 2 derivative financial instruments include forwards, commission rate swaps and commodity derivatives. These derivatives are valued using widely recognized valuation models. The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices.

**37.2. Risk Management of Financial Instruments**

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk and capital management risk.

**Credit Risk:**

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and receivables from related parties and derivative financial instruments as follows.

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**37. FINANCIAL INSTRUMENTS (Continued...)**

	31 December 2019 SAR '000	31 December 2018 SAR '000
Cash at Bank	415,846	1,043,294
Time Deposit	590,038	-
Trade Receivables - Third Parties	974,819	980,755
Trade Receivables - Related Parties	154,300	142,413
Derivative Financial Instruments	14,476	40,083
Other Receivables	130,406	165,511
	<b>2,279,885</b>	<b>2,372,056</b>

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivable and bank balances is limited as:

- Cash balances, term deposits and derivative financial instruments are held with banks with sound credit ratings ranging from BBB- and above.
- The receivables are shown net of allowance for impairment of trade receivables and sales returns. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP, unemployment rate, inflation rate and interest rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusted the historical loss rates based on expected changes in these factors.

Financial position of related parties is stable.

Trade receivables outstanding balance comprises of 53% in KSA, 32% in GCC (other than KSA) and 15% in other Countries. The five largest customers account approximately for 38% of outstanding trade receivables at 31 December 2019.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Group's exposure to bad debts is not significant.

**Liquidity Risk:**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments.

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**37. FINANCIAL INSTRUMENTS (Continued...)**

31 December 2019	On Demand or			More than 5
	Carrying Amount	Less than 1 year	1 year to 5 years	years
<b>Non Derivative Financial Liabilities</b>	.....SAR '000.....			
Bank Overdrafts	219,118	234,189	-	-
Loans and Borrowings	12,883,720	2,066,056	7,899,832	3,433,181
Trade and other payables	2,942,248	2,942,248	-	-
Trade Payables to Related Parties	76,912	76,912	-	-
	<b>16,121,998</b>	<b>5,319,405</b>	<b>7,899,832</b>	<b>3,433,181</b>
<b>Derivative Financial Liabilities</b>				
Forward currency contracts	3,480	3,190	290	-
Interest rate swaps	2,629	1,363	1,266	-
Commodity Derivatives	4,613	4,613	-	-
	<b>10,722</b>	<b>9,166</b>	<b>1,556</b>	<b>-</b>

31 December 2018	On Demand or			More than 5
	Carrying Amount	Less than 1 year	1 year to 5 years	years
<b>Non Derivative Financial Liabilities</b>	.....SAR '000.....			
Bank Overdrafts	179,321	179,321	-	-
Loans and Borrowings	13,746,262	2,094,292	9,706,635	3,906,825
Trade and other payables	2,702,848	2,702,848	-	-
Trade Payables to Related Parties	105,194	105,194	-	-
	<b>16,733,625</b>	<b>5,081,655</b>	<b>9,706,635</b>	<b>3,906,825</b>
<b>Derivative Financial Liabilities</b>				
Forward currency contracts	22,137	21,445	692	-
Interest rate swaps	4,546	110	4,436	-
Commodity Derivatives	6,740	6,740	-	-
	<b>33,423</b>	<b>28,295</b>	<b>5,128</b>	<b>-</b>

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

**Market Risk:**

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as, commission rates, commodity prices and foreign currency exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

**Commission Rate Risk:**

Commission Rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha), International Finance Corporation facility and other banking facilities of Non-GCC subsidiaries and Sukuk amounting to SAR 6,325.7 million at 31 December 2019 (2018: SAR 5,030.7 million) bear variable financing commission charges at the prevailing market rates.

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**37. FINANCIAL INSTRUMENTS (Continued...)**

The Group's policy is to manage its financing charges using a mix of fixed and variable commission rate debts. The policy is to keep 50% to 60% of its borrowings at fixed commission. The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, related to variable rate borrowings (net of hedge) with all other variables held constant. There is no direct impact on the Group's equity.

		Increase / decrease in basis points of commission rates	Effect on income for the year SAR'000
<b>31 December 2019</b>	SAR	+100	(63,257)
	SAR	-100	63,257
<b>31 December 2018</b>	SAR	+100	(50,307)
	SAR	-100	50,307

**Commodity Price Risk:**

Commodity Price Risk is the risk associated with changes in prices to certain commodities including corn, sugar and soya etc. that the Group is exposed to and its unfavourable effect on the Group's costs and cash flow. This commodity price risk arises from forecasted purchases of certain commodities that the Group uses as raw material, which is managed and mitigated by entering into commodity derivatives.

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item.

The sensitivity of the commodity prices to reasonably possible changes in rates by 5% would have increased / (decreased) profit by SAR 9.4 million.

**Currency Risk:**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in Argentina Pesos ("ARS"), Kuwaiti Dinar ("KWD"), Egyptian Pounds ("EGP"), Euro ("EUR"), Great British Pounds ("GBP"), United State Dollars ("USD"), Bahraini Dinar ("BHD") and Jordanian Dinars ("JOD"). The Group is not exposed to foreign currency fluctuation risk arising from the Bahraini Dinar ("BHD") and the JOD as these are pegged to USD. The fluctuation in exchange rates against ARS, KWD, EGP, EUR and GBP are monitored on a continuous basis. Quantitative data regarding the Group's exposure to currency risk arising from currencies that are not pegged to USD is as follows:

	ARS SAR '000	KWD SAR '000	EGP SAR '000	EUR SAR '000	GBP SAR '000	Total SAR '000
<b>31 December 2019</b>						
Cash at Bank	1,266	4,071	99,077	5,673	4,435	114,522
Cash in Hand	7	18,272	1,258	148	51	19,736
Trade Receivables	134	96,865	46,401	-	-	143,400
Bank Overdrafts	-	-	(128,640)	-	-	(128,640)
Short term Borrowings	(26,543)	-	-	-	-	(26,543)
Long Term Borrowings	-	-	(230,789)	(208,615)	-	(439,404)
Trade Payables	(3,025)	(2,807)	(76,261)	(166,457)	(17,913)	(266,463)
Net Statement of Financial Position exposure	<b>(28,161)</b>	<b>116,401</b>	<b>(288,954)</b>	<b>(369,251)</b>	<b>(13,427)</b>	<b>(583,392)</b>

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**37. FINANCIAL INSTRUMENTS (Continued...)**

	ARS	KWD	EGP	EUR	GBP	Total
	SAR	SAR	SAR	SAR	SAR	SAR
	'000	'000	'000	'000	'000	'000
<b>31 December 2018</b>						
Cash at Bank	172	22,924	64,322	5,298	1,240	93,956
Cash in Hand	254	94	180	118	27	673
Trade Receivables	1,961	79,087	42,266	-	-	123,314
Bank Overdrafts	-	-	(68,372)	-	-	(68,372)
Short term Borrowings	(9,393)	-	(46,916)	-	-	(56,309)
Long Term Borrowings	(11,117)	-	(168,133)	(239,290)	-	(418,540)
Trade Payables	(6,689)	(3,761)	(23,594)	(171,452)	(15,058)	(220,554)
Net Statement of Financial Position exposure	<b>(24,812)</b>	<b>98,344</b>	<b>(200,247)</b>	<b>(405,326)</b>	<b>(13,791)</b>	<b>(545,832)</b>

The Group uses forward currency contracts to eliminate significant currency exposures. Management believes that the currency risk for inventory and capital expenditure purchases is adequately managed primarily through entering into foreign currency forward purchase agreements. It is the Group's policy to enter into forward contracts based on the underlying exposure available from the Group's business plan/commitment with the suppliers. The forward purchase agreements are secured by promissory notes given by the Group.

A strengthening / (weakening) of the ARS, KWD, EGP, EUR, and GBP by 10% against all other currencies would have affected the measurement of financial instruments denominated in foreign currency and would have increased / (decreased) equity by the amounts shown below:

	31 December 2019	31 December 2018
	SAR '000	SAR '000
ARS	(2,816)	(2,481)
KWD	11,640	9,834
EGP	(28,895)	(20,025)
EUR	(36,925)	(40,533)
GBP	(1,343)	(1,379)
	<b>(58,339)</b>	<b>(54,584)</b>

**Capital Management:**

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

- i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii) to provide an adequate return to shareholders.

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**38. DIVIDEND APPROVED AND PAID**

On 3 Sha'aban 1440 A.H. (8 April 2019), the shareholders in their Extraordinary General Assembly Meeting approved dividends of SAR 850.0 million (SAR 0.85 per share) for the year ended 31 December 2018 which was paid on 10 Sha'aban 1440 A.H. (15 April 2019).

**39. DIVIDEND PROPOSED**

The Board of Directors have proposed, for shareholder's approval at the General Assembly Meeting, a dividend of SAR 850 million (SAR 0.85 per share) for the year ended 31 December 2019.

**40. SUBSEQUENT EVENTS**

In the opinion of the management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements.

**41. BOARD OF DIRECTORS APPROVAL**

These Consolidated Financial Statements were approved by the Board of Directors on 24 Jumada Al-Awwal 1441 A.H. (19 January 2020).