

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY

THE CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT FOR THE YEAR ENDED
31 DECEMBER 2022

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

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 2022, 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 Chartered and Professional Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 significant accounting policies and other explanatory information.

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)

Our audit approach

Overview

- | | |
|-------------------|--|
| Key Audit Matters | <ul style="list-style-type: none">• Carrying value of goodwill• Carrying value of biological assets |
|-------------------|--|

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.

Key audit matter

How our audit addressed the Key audit matter

Carrying value of goodwill

At 31 December 2022, the Group had goodwill, which arose on past business combinations, amounting to Saudi Riyals 948.7 million.

In accordance with the International Accounting Standard (IAS) 36 "Impairment of assets" ("IAS 36"), 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.

Goodwill is monitored by management at the level of cash-generating units ("CGUs"). Management carried out an impairment exercise as at 31 December 2022 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 was based on the most recent formal business plan prepared by the Group's management. This exercise did not identify any impairment loss to be recognized.

We performed the following procedures in relation to the management's assessment of impairment of goodwill:

- 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 inquired and discussed with management any changes made to the impairment model in the current year and tested the arithmetical accuracy of the model;
- Tested the accuracy and relevance of the input data used in the model 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;



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

Key audit matter	How our audit addressed the Key audit matter
<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> <ul style="list-style-type: none">a) assumptions concerning the expected economic conditions, especially growth in the markets in which the Group primarily operates;b) assumptions of the impact of the future actions of the Group's main competitors on expected revenue and gross margin assumptions; andc) sales growth rates and pre-tax discount rates used in the value-in-use model.	<ul style="list-style-type: none">• Reviewed the methodology applied that underpins the value-in-use calculations and use of key assumptions including in particular, sales growth rates and pre-tax discount rates; and• Performed sensitivity analyses over the key assumptions, principally sales growth rates and pre-tax discount rates, in order to assess the potential impact of a range of possible outcomes. <p>We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements.</p>

Refer to Note 5.10 for the accounting policy and Note 10 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>Carrying value of biological assets</p> <p>As indicated in Note 11 to the consolidated financial statements, the carrying value of biological assets as at 31 December 2022 amounted to Saudi Riyals 1,688 million. This includes Saudi Riyals 1,451 million relating to the Group's 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 has 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 considered 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 2022.</p> <p><i>Refer to Note 5.9 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">• 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 overseas;• Assessed management's assertion that market value based (Level I and II) valuation approaches are not possible by consideration of relevant markets available to the Group and consideration of the differences between the Group's dairy herd operations compared to other similar entities;• 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• Compared the basis on which management capitalises and depreciates the dairy herd to the approach followed by relevant accounting standards. <p>We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements in relation to biological assets.</p>



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

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.

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.

Those charged with governance, i.e. the Board of Directors, are 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's audit. We remain solely responsible for our audit opinion.

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



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

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

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, actions taken to eliminate threats or safeguards applied.

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

PricewaterhouseCoopers

Omar M. Al Sagga
License Number 369

22 January 2023





ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Notes	31 December 2022	31 December 2021
		SAR '000	SAR '000
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	7	20,114,537	20,873,448
Long-Term Prepayments	8	552,415	579,677
Right-of-Use Assets	9	498,783	464,704
Intangible Assets and Goodwill	10	1,145,601	1,129,105
Biological Assets	11	1,564,899	1,469,084
Investments in Associate and Joint Venture	12	6,312	88,749
Derivative Financial Instruments	37	35,441	2,011
Deferred Tax Assets	23	29,674	45,339
		23,947,662	24,652,117
Current Assets			
Inventories	14	5,237,136	4,353,596
Biological Assets	11	122,812	117,980
Trade Receivables, Prepayments and Other Receivables	15	2,155,938	1,991,205
Derivative Financial Instruments	37	47,899	11,597
Equity Investment	12	15,607	46,894
Cash and Cash Equivalents	16	546,916	580,913
		8,126,308	7,102,185
TOTAL ASSETS		32,073,970	31,754,302
EQUITY AND LIABILITIES			
Share Capital	17	10,000,000	10,000,000
Statutory Reserve		2,761,251	2,585,270
Treasury Shares	18	(866,602)	(875,157)
Other Reserves	19	(809,399)	(622,389)
Retained Earnings		5,586,110	5,031,770
Equity Attributable to Equity Holders of the Company		16,671,360	16,119,494
Non-Controlling Interests	20	311,505	498,919
TOTAL EQUITY		16,982,865	16,618,413
Non-Current Liabilities			
Loans and Borrowings	21	8,448,944	7,072,240
Lease Liabilities	9	391,738	360,434
Employee Retirement Benefits	22	1,056,581	951,827
Derivative Financial Instruments	37	19,901	10,041
Deferred Tax Liabilities	23	90,489	117,302
		10,007,653	8,511,844
Current Liabilities			
Bank Overdrafts	33	87,130	78,395
Loans and Borrowings	21	1,065,089	2,631,598
Lease Liabilities	9	75,092	80,710
Zakat	24	168,596	429,988
Income Tax Payable	24	17,503	17,264
Trade and Other Payables	25	3,655,553	3,339,496
Derivative Financial Instruments	37	14,489	46,594
		5,083,452	6,624,045
TOTAL LIABILITIES		15,091,105	15,135,889
TOTAL EQUITY AND LIABILITIES		32,073,970	31,754,302

The accompanying notes 1 to 42 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:


 Danko Maras
 Chief Financial Officer



 Abdullah Albader
 Chief Executive Officer


 HH Prince Naif Bin Sultan Bin
 Mohammed Bin Saud Al Kabeer
 Chairman

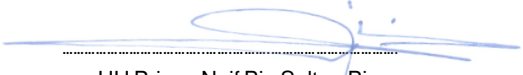
ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	For the Year ended	
		31 December	31 December
		2022	2021
		SAR '000	SAR '000
Revenue	32	18,722,258	15,849,720
Cost of Sales	26	(13,098,035)	(10,790,450)
Gross Profit		5,624,223	5,059,270
Selling and Distribution Expenses	27	(2,709,538)	(2,518,851)
General and Administration Expenses	28	(458,694)	(428,157)
Other Expenses, net	29	(153,356)	(85,563)
Impairment Loss on Financial Assets	15	(26,303)	(11,845)
Operating Profit		2,276,332	2,014,854
Finance Cost, net	30	(428,119)	(346,063)
Share of Results of Associate	12	716	(941)
Profit before Zakat and Income Tax		1,848,929	1,667,850
Zakat	24	(62,600)	(77,080)
Income Tax	23,24	(8,191)	(11,334)
Profit for the Year		1,778,138	1,579,436
Profit for the year Attributable to:			
Shareholders of the Company		1,759,812	1,563,543
Non-Controlling Interests		18,326	15,893
		1,778,138	1,579,436
Earnings per Share (SAR), based on Profit for the Year Attributable to Shareholders of the Company			
- Basic	31	1.79	1.59
- Diluted	31	1.76	1.56

The accompanying notes 1 to 42 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:


 Danko Maras
 Chief Financial Officer



 Abdullah Albader
 Chief Executive Officer


 HH Prince Naif Bin Sultan Bin
 Mohammed Bin Saud Al Kabeer
 Chairman

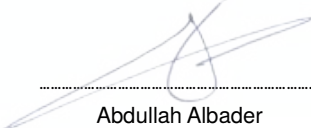
ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	For the Year ended	
		31 December	31 December
		2022	2021
		SAR '000	SAR '000
Profit for the Year		1,778,138	1,579,436
Items that will not be reclassified to profit or loss:			
Actuarial Loss on Employee Retirement Benefits	22	(42,057)	(4,929)
Change in the Fair Value of Equity Investment through FVOCI	12	1,596	(1,902)
Items that are or may be reclassified subsequently to profit or loss:			
Settlement of Cash Flow Hedges Transferred to Inventory / PPE		(16,986)	(82,425)
Foreign Currency Translation Differences	19.1	(245,700)	4,540
Movement in Fair Value on Cash Flow Hedges		154,083	34,364
Settlement of Cash Flow Hedges Transferred to Profit or Loss		(45,120)	(41,127)
Other Comprehensive Loss for the Year, net of Income Tax		(194,184)	(91,479)
Total Comprehensive Income for the Year		1,583,954	1,487,957
Total Comprehensive Income / (Loss) for the Year Attributable to:			
Shareholders of the Company		1,685,361	1,471,041
Non-Controlling Interests		(101,407)	16,916
		1,583,954	1,487,957

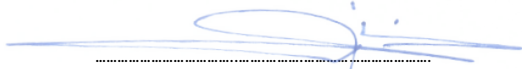
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.....
Danko Maras
Chief Financial Officer



.....
Abdullah Albader
Chief Executive Officer



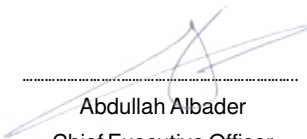
.....
HH Prince Naif Bin Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

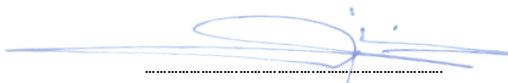
	Share Capital	Statutory Reserve	Treasury Shares	Other Reserves	Retained Earnings	Equity Attributable to Equity Holders	Non-Controlling Interests	Total Equity
-----SAR '000-----								
Balance at 1 January 2021	10,000,000	2,428,915	(906,594)	(443,871)	4,608,458	15,686,908	546,771	16,233,679
Profit for the year	-	-	-	-	1,563,543	1,563,543	15,893	1,579,436
Other Comprehensive (Loss) / Income for the Year	-	-	-	(87,598)	(4,904)	(92,502)	1,023	(91,479)
Total Comprehensive (Loss) / Income	-	-	-	(87,598)	1,558,639	1,471,041	16,916	1,487,957
Transfer during the Year	-	156,355	-	-	(156,355)	-	-	-
Directors' Remuneration	-	-	-	-	(5,087)	(5,087)	-	(5,087)
Transactions with Owners in their Capacity as Owners								
Dividend Declared SAR 1 per Share	-	-	-	-	(981,254)	(981,254)	-	(981,254)
Share Based Payment Transactions	-	-	-	20,370	-	20,370	-	20,370
Settlement of Treasury Shares	-	-	31,437	(8,626)	6,336	29,147	-	29,147
Purchase of Additional Stake in Modern Food Industries (MFI)	-	-	-	(102,664)	-	(102,664)	(47,336)	(150,000)
Transactions with Non-Controlling Interests	-	-	-	-	1,033	1,033	(17,432)	(16,399)
Balance at 31 December 2021	10,000,000	2,585,270	(875,157)	(622,389)	5,031,770	16,119,494	498,919	16,618,413



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Danko Maras
Chief Financial Officer



.....
Abdullah Albader
Chief Executive Officer



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HH Prince Naif Bin Sultan Bin
Mohammed Bin Saud Al Kabeer
Chairman

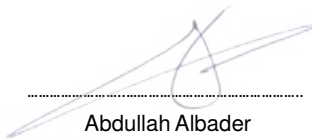
ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share Capital	Statutory Reserve	Treasury Shares	Other Reserves	Retained Earnings	Equity Attributable to Equity Holders	Non-Controlling Interests	Total Equity
SAR '000								
Balance at 1 January 2022	10,000,000	2,585,270	(875,157)	(622,389)	5,031,770	16,119,494	498,919	16,618,413
Profit for the Year	-	-	-	-	1,759,812	1,759,812	18,326	1,778,138
Other Comprehensive Loss for the Year	-	-	-	(32,394)	(42,057)	(74,451)	(119,733)	(194,184)
Total Comprehensive (Loss) / Income	-	-	-	(32,394)	1,717,755	1,685,361	(101,407)	1,583,954
Transfer during the Year	-	175,981	-	-	(175,981)	-	-	-
Directors' Remuneration	-	-	-	-	(4,865)	(4,865)	-	(4,865)
Transactions with Owners in their Capacity as Owners								
Dividend Declared SAR 1 per Share	-	-	-	-	(981,841)	(981,841)	-	(981,841)
Share Based Payment Transactions	-	-	-	12,274	-	12,274	-	12,274
Settlement of Treasury Shares	-	-	8,555	(2,281)	(728)	5,546	-	5,546
Purchase of Additional Stake in MFI (Refer note 1)	-	-	-	(164,609)	-	(164,609)	(85,391)	(250,000)
Transactions with Non-Controlling Interests	-	-	-	-	-	-	(616)	(616)
Balance at 31 December 2022	10,000,000	2,761,251	(866,602)	(809,399)	5,586,110	16,671,360	311,505	16,982,865

The accompanying notes 1 to 42 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:



Danko Maras
Chief Financial Officer



Abdullah Albader
Chief Executive Officer




HH Prince Naif Bin 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 2022

	Notes	For the Year ended	
		31 December	31 December
		2022	2021
		SAR '000	SAR '000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the Year		1,778,138	1,579,436
Adjustments for non-cash items:			
Depreciation of Property, Plant and Equipment	7	1,752,245	1,608,569
Amortisation of Long-term Prepayments	8	27,262	27,262
Depreciation of Right-of-Use Assets	9	105,557	102,737
Amortisation of Intangible Assets	10	47,385	66,476
Depreciation of Biological Assets	11	480,494	360,241
Gain arising from Changes in Fair Value less Cost to Sell of Crops		(26,540)	(2,477)
Provision for Employee Retirement Benefits	22	120,014	117,115
Provision for Inventories and Trade Receivables	14,15	192,519	16,370
Share Based Payment Expense		12,274	20,370
Finance Cost, net	30	428,119	346,063
Other Expenses, net		153,656	85,863
Share of Results of Associate	12	(716)	941
Zakat	24	62,600	77,080
Income Tax	23,24	8,191	11,334
		5,141,198	4,417,380
Changes in Working Capital:			
Inventories		(1,103,277)	349,458
Biological Assets		(9,009)	(28,305)
Trade Receivables, Prepayments and Other Receivables		(218,589)	(67,376)
Trade and Other Payables		412,038	358,167
Employee Retirement Benefits Paid	22	(62,090)	(79,570)
Zakat and Income Tax Paid	24	(330,922)	(34,749)
Net Cash Generated from Operating Activities		3,829,349	4,915,005
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of Subsidiary	13	(68,595)	-
Proceeds from Sale of Equity Investment	12	32,883	80,938
Purchase of Manufacturing Facility		-	(219,369)
Dividend from Equity Investment	29	300	300
Additions to Property, Plant and Equipment		(1,300,535)	(1,087,816)
Proceeds from the Disposal of Property, Plant and Equipment		43,894	40,304
Additions to Intangible Assets	10	(33,339)	(57,175)
Additions to Biological Assets		(889,409)	(822,094)
Proceeds from the Disposal of Biological Assets		227,521	250,665
Net Cash Used in Investing Activities		(1,987,280)	(1,814,247)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Loans and Borrowings		16,232,882	10,659,617
Repayment of Loans and Borrowings		(16,311,883)	(12,129,264)
Purchase of Additional Stake in a Subsidiary	1	(250,000)	(150,000)
Finance Cost Paid		(431,810)	(342,446)
Dividend Paid	39	(979,566)	(978,187)
Settlement of Treasury Shares		5,546	29,147
Transactions with Non-Controlling Interests		(616)	(6,407)
Principal Element of Lease Payments		(107,318)	(86,765)
Interest Element of Lease Payments		(13,506)	(14,369)
Directors' Remuneration		(4,865)	(5,087)
Net Cash Used in Financing Activities		(1,861,136)	(3,023,761)
Net Change in Cash and Cash Equivalents		(19,067)	76,997
Cash and Cash Equivalents at 1 January		580,913	503,510
Effect of Movements in Exchange Rates on Cash and Cash Equivalents		(14,930)	406
Cash and Cash Equivalents at 31 December	16	546,916	580,913

The accompanying notes 1 to 42 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:


Danko Maras
Chief Financial Officer


Abdullah Albader
Chief Executive Officer


HH Prince Naif Bin 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 2022

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, 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, Sultanate of Oman (“Oman”) and Kingdom of Bahrain (“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 W.L.L.
- Kuwait - Al Kharafi Brothers Dairy Products Company Limited

In other territories, where permissible by law, export sales are made 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 Bahrain.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

The Group owns 93.5% shareholding in Pure Breed Poultry Company Limited whose main operations are focused on poultry grandparent farming.

The Group owns 100% shareholding in Premier Foods Industries Company LLC (“Premier Foods”) in Saudi Arabia. Premier Foods is primarily engaged in providing value added products (meat and poultry) to the food services industry in the Middle East.

Acquisitions:

- a) On 6 Rajab 1443 A.H. (7 February 2022), the Group acquired further 25% shares in Modern Foods Industries Company Limited (“MFI”) owned by Chipita Saudi Arabia (Cyprus) Limited (hereinafter referred to as “Chipita”) for a total consideration of Saudi Riyals (“SAR”) 250 million paid in cash, resulting in an increase in its shareholding from 75% to 100%. Immediately prior to the purchase, the carrying amount of the existing 25% non-controlling interest (“NCI”) owned by Chipita was SAR 85.4 million. The purchase was accounted for as an equity transaction with owners with no impact on the consolidated statement of profit or loss account for the year ended 31 December 2022. The difference of SAR 164.6 million between the carrying value of NCI owned by Chipita and consideration paid was recorded under equity as part of other reserves.

There were no significant transactions with non-controlling interests except for those disclosed above.

- b) On 20 Shabaan 1442 (15 March 2021), the Group entered into a Share Purchase Agreement (“SPA”) to acquire 100% shares of Bakemart FZ L.L.C and Bakemart L.L.C, based in UAE and Bakemart W.L.L based in Bahrain (collectively “Bakemart”).

The closures of the acquisition and determination of the date of control was subject to completion of certain conditions/requisites identified in the SPA. It also included certain approvals from regulatory authorities, appointment of Board of Directors and key management personnel and settlement of consideration payable with the counterparty. On 12 January 2022, the Group obtained the required substantive regulatory approvals and settled the consideration.

Bakemart main operation is producing and selling of baked goods in UAE and Bahrain. This acquisition opens a new avenue to the bakery segment of the Group i.e., entry to the frozen bakery products category. Also refer note 13.

Climate change:

The Group is subject to short-term and long-term climate change related risks (due to increasing customer, investor, and government expectations). These risks are inherent part of operating a food industry. Almarai continually works to reduce the environmental footprint of the business, in part, due to the inherent risks.

Rising fuel costs and the greenhouse gas emissions associated with fuel and electricity consumption have an impact not only on the environment but also on Almarai’s financial bottom line. Climate change also creates risks for agricultural production through droughts, pests, diseases, etc. that pose challenges for sustaining and increasing production levels.

The Group has developed a sustainability strategy, outlining how it will improve its energy performance through efficient energy consumption and generation from sustainable sources. The strategy focuses on solar power generation, water and energy efficiency, sustainable arable farming practices, landfill waste reduction, commitment to 100% Chlorofluorocarbon-free cold storage at its sales depot, and fuel efficiency measures including trailing alternative fuel vehicles.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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	Effective Ownership Interest		Share Capital	Number of Shares Issued
			2022	2021		
Almarai Investment Company Limited	Saudi Arabia	Holding Company	100%	100%	SAR 1,000,000	1,000
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing Company	100%	100%	SAR 200,000,000	20,000,000
Almarai Agricultural and Livestock Production Company Limited	Saudi Arabia	Liquidated	-	100%	SAR 1,000,000	1,000
Almarai Construction Company Limited	Saudi Arabia	Dormant	100%	100%	SAR 1,000,000	1,000
Almarai for Maintenance and Operation Company Limited	Saudi Arabia	Liquidated	-	100%	SAR 1,000,000	1,000
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Dormant	52%	52%	SAR 25,000,000	250
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company	100%	100%	SAR 300,000,000	30,000,000
Hail Agricultural and Livestock Production Company Limited	Saudi Arabia	Liquidated	-	100%	SAR 1,000,000	1,000
International Baking Services Company Limited	Saudi Arabia	Dormant	100%	100%	SAR 500,000	500
International Pediatric Nutrition Company Limited	Saudi Arabia	Dormant	100%	100%	SAR 41,000,000	410,000
Modern Food Industries Company Limited (Refer note 1)	Saudi Arabia	Bakery Company	100%	75%	SAR 70,000,000	70,000
Nourlac Company Limited	Saudi Arabia	Liquidated	-	100%	SAR 3,000,000	3,000
Western Bakeries Company Limited	Saudi Arabia	Bakery Company	100%	100%	SAR 200,000,000	200,000

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Name of Subsidiary	Country of Incorporation	Business Activity	Effective Ownership Interest		Share Capital	Number of Shares Issued
			2022	2021		
Pure Breed Poultry Company Limited	Saudi Arabia	Poultry Company	94%	94%	SAR 46,500,000	465,000
Premier Food Industries Company L.L.C	Saudi Arabia	Manufacturing and Trading Company	100%	100%	SAR 500,000	50,000
Artas United Limited Company	Saudi Arabia	Transportation and Storage Company	100%	100%	SAR 10,000	100
Almarai for Meat LLC	Saudi Arabia	Meat Company	100%	-	SAR 1,000,000	100,000
Agro Terra S.A.	Argentina	Dormant	100%	100%	ARS 5,097,984	5,097,984
Fondomonte South America S.A.	Argentina	Agricultural Company	100%	100%	ARS 2,211,988,598	2,211,988,598
Almarai Company Bahrain W.L.L.	Bahrain	Trading Company	100%	100%	BHD 100,000	1,000
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company	100%	100%	BHD 34,450,000	344,500
Bakemart W.L.L. (Refer note 13)	Bahrain	Manufacturing and Trading Company	100%	-	BHD 30,000	600
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company	52%	52%	BHD 250,000	2,500
International Dairy and Juice Limited	Bermuda	Holding Company	52%	52%	USD 7,583,334	7,583,334
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company	52%	52%	EGP 3,233,750,000	323,375,000
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company	52%	52%	EGP 3,802,366,670	380,236,667
Beyti For Importation and Exportation Company L.L.C.	Egypt	Trading Company	52%	52%	EGP 2,000,000	2,000
BDC Info Private Limited	India	Operations Management	100%	100%	INR 2,750,680	275,068
Markley Holdings Limited	Jersey	Dormant	100%	100%	GBP 5,769,822	5,769,822

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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

Name of Subsidiary	Country of Incorporation	Business Activity	Effective Ownership Interest		Share Capital	Number of Shares Issued
			2022	2021		
Al Muthedoon for Dairy Production	Jordan	Dormant	52%	52%	JOD 500,000	500,000
Al Atheer Agricultural Company	Jordan	Dormant	52%	52%	JOD 750,000	750,000
Al Namouthiya for Plastic Production	Jordan	Dormant	52%	52%	JOD 250,000	250,000
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company	52%	52%	JOD 500,000	500,000
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company	52%	52%	JOD 21,935,363	21,935,363
Arabian Planets for Trading and Marketing L.L.C.	Oman	Trading Company	70%	70%	OMR 150,000	150,000
Alyoum for Food Products Company L.L.C.	Oman	Dormant	100%	100%	OMR 20,000	20,000
Fondomonte Inversiones S.L.	Spain	Holding Company	100%	100%	EUR 138,505,946	138,505,946
Hail Development Company Limited	Sudan	Dormant	100%	100%	SDG 100,000	100
Almarai Emirates Company L.L.C.	UAE	Trading Company	100%	100%	AED 300,000	300
BDC international L.L.C.	UAE	Operations Management	100%	100%	AED 200,000	200
Almarai Company Drinks Manufacturing LLC	UAE	Manufacturing Company	100%	100%	AED 250,000 (Unpaid)	100
Bakemart L.L.C (Refer note 13)	UAE	Manufacturing and Trading Company	100%	-	AED 300,000	300
Bakemart FZ L.L.C (Refer note 13)	UAE	Manufacturing and Trading Company	100%	-	AED 300,000	300
Fondomonte Holding North America L.L.C.	USA	Holding Company	100%	100%	USD 500,000	50,000
Fondomonte Arizona L.L.C.	USA	Agricultural Company	100%	100%	USD 500,000	50,000
Fondomonte California L.L.C.	USA	Agricultural Company	100%	100%	-	-
Hayday Farm Operation L.L.C.	USA	Agricultural Company	100%	100%	-	-

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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 Chartered and Professional Accountants (“SOCPA”) (here and after refer to as “IFRS as endorsed in Saudi Arabia”).

2.2 Preparation of The Consolidated 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 employee retirement benefit 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 measured at fair value. (Refer note 6.1)

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. 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 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 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 applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022.

5.1.1. Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

5.1. *New Standards, Amendment to Standards and Interpretations (Continued...)*

5.1.1. Amendments to IFRS 3, IAS 16, IAS 37 (Continued...)

- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

The adoption of above amendments 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 2023 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

5.2.1. Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

5.2.2. Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

5.2.3. Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

5.3. Cash and Cash Equivalents

Cash and cash equivalents include bank balances, cheques in hand and deposits with original maturities of three months or less, if any.

5.4. 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 also 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 where depreciation is charged based on the expected use:

Buildings	5 – 40 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

5.4. Property, Plant and Equipment (Continued..)

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.

5.5. Inventories

Inventories are measured at the lower of cost or net realisable value ("NRV"). 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. NRV 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 NRV. 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.

5.6. 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.

5.7. Long-term Prepayments

Long-term prepayments comprise of amounts paid to or paid on behalf of the Saudi Electric Company in prior periods for the commissioning and installation of exclusive power grids at the manufacturing sites and are amortised over the period of the respective agreements.

ALMARAI COMPANY
A SAUDI JOINT STOCK COMPANY
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

5.8. Right-of-Use Assets and Lease Liabilities

The Group recognises 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.

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, significant leasehold improvements over the term of the lease that have significant economic benefit to the Group's operation, the importance of the leased asset to the Group's operation and whether alternatives are available for the Group and business disruption required to replace the leased asset.

5.9. 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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

5.10. 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 3- 15 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 CGU (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU 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 CGU 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 5.15.2). 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 CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5.11. 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.

5.12. Zakat and Income Tax

Zakat is provided for in accordance with the Zakat, Tax and Customs Authority ("ZATCA") 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 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.

5.13. 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.

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5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

5.13. Deferred Tax (Continued...)

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.

5.14. Financial Instruments

5.14.1. 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 Other Comprehensive Income (“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). For Investments designated as FVOCI and for which management has an intention to sell such investments within a period of 12 months from the financial year end, are classified under current assets.

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.

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5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

5.14. Financial Instruments (Continued..)

5.14.1. Non-Derivative Financial Instruments (Continued..)

a) Non-Derivative Financial Assets (Continued..)

Financial Assets at FVOCI

The Group has elected to recognise changes in the fair value of investments in equity shares in OCI. These changes are accumulated within the 'other reserve' classified under equity. The Group may transfer this amount from other reserve to retained earnings when the relevant shares are derecognised.

Dividends from such investments continue to be recognised in the Consolidated Statement of Profit or Loss as other income when the Group's right to receive payments is established. Accumulated gains and losses on these financial assets are never recycled to the Consolidated Statement of Profit or Loss.

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.

5.14.2. 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.

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5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

5.14. Financial Instruments (Continued...)

5.14.2. Derivative Financial Instruments and Hedge Accounting (Continued...)

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.

The fair values of derivative financial instruments designated in hedge relationships, in shareholders' equity are disclosed in note 37. 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.

5.15. Impairment

5.15.1. 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.

5.15.2. 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 CGU 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 CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU 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.

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5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

5.15. Impairment (Continued..)

5.15.2. Impairment of Non-Financial Assets (Continued..)

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) 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 CGU) 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.

5.16. 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 employee retirement benefits 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.

The 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 employee retirement benefit liability is performed by a qualified actuary using the projected unit credit method.

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

5.17. 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 until such reserve equals 30% of its share capital. This reserve is currently not distributable to the Shareholders.

5.18. 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 date and fixed date for payment of profit distribution is classified as a liability.

5.19. Treasury Shares

Own equity instruments that are reacquired (treasury shares), for discharging obligations under Employee Equity Participation Programmes ("EEPP"), 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.

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5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

5.20. Share Based Payment Transactions

Certain employees of the Group receive remuneration in the form of equity settled share-based payments under the EEPP, whereby employees render services as consideration for the equity instruments (options or shares) granted under EEPP as disclosed in note 18.

The fair value of the employee services received in exchange for the grant of options or shares 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 EEPP. Accordingly, the Other Reserves (representing the cumulative expense arising from ESOP) is transferred into Retained Earnings upon expiry of the EEPP, whether or not the equity instruments vest to the employees.

The cumulative expense recognised for EEPP 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 equity instruments that will ultimately vest.

When the terms of the EEPP 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 EEPP is terminated, it is treated as if the equity instruments 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 EEPP is substituted for the terminated ESOP and designated as a replacement award on the date that it is granted, the terminated and new EEPP are treated as if they were a modification of the original EEPP, as described in the previous paragraph.

5.21. Conversion of Foreign Currency Transactions

Foreign currency transactions are converted and recorded in SAR 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 SAR 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 the foreign subsidiaries are translated into 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.

5.22. Revenue Recognition

The Group generates revenue from a number of product lines, these include:

- Dairy and Juice
- Bakery
- Poultry
- Other activities (Arable, horticulture and infant nutrition)

Revenue is recognised when there is a contract with a customer for the transfer of dairy and other related products across various product categories and geographical regions.

Revenue is recognised in the Consolidated Statement of Profit or Loss when a performance obligation is satisfied, at the price allocated to that performance obligation. This is defined as the point in time when control of the products has been transferred to the customer, the amount of revenue can be measured reliably, and collection is probable. The transfer of control to customers takes place according to trade agreement terms.

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

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5. SIGNIFICANT ACCOUNTING POLICIES (Continued..)

5.22. Revenue Recognition (Continued..)

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

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.

5.23. Government Grants

The Group receives government grants on import of feeds for its biological assets. 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 against which the grants are intended to compensate.

5.24. 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.

5.25. 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 Consolidated Statement of 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.

5.26. 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.

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5. SIGNIFICANT ACCOUNTING POLICIES (Continued...)

5.27. 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' (Chief Operating Decision Makers) 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.

The Group's operating segments are analysed and aggregated based on the nature of products and uniformity in the production processes.

6. USE OF JUDGEMENTS AND ESTIMATES

The preparation of these Consolidated Financial Statements, in conformity with IFRS as endorsed in the 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.

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;

The Group's dairy herd comprises both immature and mature livestock.

Immature livestock comprises dairy cows that are intended to be reared to maturity. These cows are held to produce milk or offspring but have not yet produced their first calf and begun milk production. Costs incurred in rearing immature livestock are capitalised to the Consolidated Statement of Financial Position. The directly attributable costs in bringing the asset to the location and condition necessary to be capable of operation include various components including but not limited to birth related charges, feed cost and labour charges.

Mature livestock includes dairy cows that have produced their first calf and begun milk production. Costs incurred in relation to mature livestock are recognised in the Consolidated Statement of Profit or Loss immediately as an expense.

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 on the fair value measurement hierarchies in the context of livestock valuation:

Level 1 - there is no active market for dairy cows in the 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 Saudi Arabia and distance to active markets means that a level 2 valuation is not possible.

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

6.1. Judgement (Continued...)

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 herd 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 (approximately a year), such flocks are not subject to fair valuation exercise as the management believes that any differences between depreciated cost and fair value are not material.

Determination of Control: Management has considered the accounting treatment and the principles in IFRS 10 “Consolidated Financial Statements” and have determined that certain entities are controlled by Almarai. In determining the appropriate accounting treatment for these entities, management applied significant judgment.

If management’s judgments were to change, this would result in the deconsolidation of these entities and instead would be treated as a joint arrangement or associate. These entities currently have consolidated assets and liabilities impacting the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income (refer note 20).

The following are the key considerations and judgements applied by management in concluding that Almarai has control over these entities:

- The relevant activities associated with those entities include the ability to prepare and approve the annual budget. As the Group can appoint the majority of the Board of directors on these entities, this gives the Group the ability to unilaterally approve annual business plans and as such has power over the relevant activities. The approval of the 5 year business plan is considered protective and not substantive.
- The Group can appoint the key management personnel of these entities such as the Chief Executive Officer and Chief Financial Officer, etc.

As such the Group has the power and the ability to affect the variable returns and control such entities.

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 below;

- a) **Goodwill - Annual impairment testing of goodwill:** Goodwill impairment tests are performed for the group of cash-generating units (“CGU”) to which goodwill is allocated. The group of CGU is defined based on certain acquisitions and CGU’s arising from those acquisitions. The structure and groups of CGU are assessed on an annual basis. The impairment test of goodwill is performed at least annually for each group of CGUs to which goodwill is allocated. To determine the value in use, the discounted cash flow models are used.

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

6.2. Assumptions and estimation uncertainties (Continued...)

The most important parameters in the impairment test include assumptions related to sales growth rate and pre-tax discount rates. Also refer to note 10 for sensitivity related to these assumptions for the respective CGU.

- b) **Expected future free cash flows:** The projected free cash flows are based on current forecasts and targets set for five year period. These are determined at CGU level in the forecast and target planning process as well as based on external sources of information and industry-relevant observations such as macroeconomic indicators and market conditions. All applied assumptions are challenged through the forecast and target planning process based on management's best estimates and expectations, which are judgmental by nature. They include expectations regarding revenue growth, Earnings Before Interest and Tax ("EBIT") margins and capital expenditure.
- c) **Measurement of employee retirement benefits liability - key actuarial assumptions:** Estimates are applied when setting actuarial assumptions such as the discount rate, expected future salary increases, inflation and mortality. The actuarial assumptions vary from country to country, based on national economic and social conditions. They are set using available market data and compared with benchmarks to ensure consistency on an annual basis (Refer note 22 for sensitivity related to employee retirement benefits liability).
- d) **Dairy herd** - Average lactation cycle – Refer note 29.1

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7. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Plant, Machinery and Equipment	Motor Vehicles	Capital Work-in-Progress*	Bearer Plant		Total
					Mature Plantations	Immature Plantations	
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost							
At 1 January 2022	14,777,217	16,224,196	2,909,986	1,103,669	222,548	28,783	35,266,399
On Acquisition of Subsidiary (Refer note 13)	16,417	31,748	4,770	-	-	-	52,935
Additions during the Year	-	-	-	1,285,882	-	34,352	1,320,234
Transfers during the Year	427,913	486,411	203,406	(1,117,730)	39,348	(39,348)	-
Disposals during the Year	(7,730)	(159,321)	(183,316)	-	(3,168)	-	(353,535)
Currency Translation Difference	(94,781)	(306,714)	(17,219)	(5,366)	69	13	(423,998)
At 31 December 2022	15,119,036	16,276,320	2,917,627	1,266,455	258,797	23,800	35,862,035
Accumulated Depreciation							
At 1 January 2022	3,394,971	9,066,680	1,746,558	-	184,742	-	14,392,951
On Acquisition of Subsidiary (Refer note 13)	15,626	25,437	4,116	-	-	-	45,179
Depreciation for the Year	410,857	1,117,670	191,261	-	32,457	-	1,752,245
Disposals during the Year	(5,356)	(147,441)	(151,094)	-	(3,168)	-	(307,059)
Currency Translation Difference	(19,341)	(103,894)	(12,616)	-	33	-	(135,818)
At 31 December 2022	3,796,757	9,958,452	1,778,225	-	214,064	-	15,747,498
Net Book Value							
At 31 December 2022	11,322,279	6,317,868	1,139,402	1,266,455	44,733	23,800	20,114,537

*Capital work-in-progress as at 31 December 2022 primarily represents cost incurred on updates of existing production facilities including poultry business expansion and depot development. Also refer to note 35.3.

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

	Land and Buildings	Plant, Machinery and Equipment	Motor Vehicles	Capital Work-in- Progress	Bearer Plant		Total
					Mature Plantations	Immature Plantations	
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost							
At 1 January 2021	14,541,352	15,995,588	2,884,542	472,216	232,080	24,290	34,150,068
Additions during the Year	-	-	-	1,070,351	-	29,813	1,100,164
Purchase of Manufacturing Facility	159,977	59,207	185	-	-	-	219,369
Transfers during the Year	76,675	297,268	144,489	(439,095)	25,335	(25,335)	79,337
Disposals during the Year	(2,899)	(130,963)	(119,775)	-	(34,910)	-	(288,547)
Currency Translation Difference	2,112	3,096	545	197	43	15	6,008
At 31 December 2021	14,777,217	16,224,196	2,909,986	1,103,669	222,548	28,783	35,266,399
Accumulated Depreciation							
At 1 January 2021	3,005,479	8,180,796	1,664,133	-	186,756	-	13,037,164
Depreciation for the Year	391,244	1,005,047	179,402	-	32,876	-	1,608,569
Disposals during the Year	(2,033)	(120,200)	(97,321)	-	(34,910)	-	(254,464)
Currency Translation Difference	281	1,037	344	-	20	-	1,682
At 31 December 2021	3,394,971	9,066,680	1,746,558	-	184,742	-	14,392,951
Net Book Value							
At 31 December 2021	11,382,246	7,157,516	1,163,428	1,103,669	37,806	28,783	20,873,448

7.1. Capital Work-in-Progress includes SAR 19.7 million of borrowing costs capitalised during the year (2021: SAR 12.3 million). Average interest rate on borrowings as of 31 December 2022 is 3.64% per annum (2021: 2.9%). (Refer note 30)

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

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8. LONG-TERM PREPAYMENTS

Long-term Prepayments and amortisation balance are as follows:

	2022	2021
	SAR '000	SAR '000
Opening Balance	579,677	606,939
Amortisation	(27,262)	(27,262)
Closing Balance	<u>552,415</u>	<u>579,677</u>

9. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

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

	31 December 2022		31 December 2021	
	Depreciation	Balance	Depreciation	Balance
	SAR '000	SAR '000	SAR '000	SAR '000
Land	33,729	354,066	27,921	282,459
Buildings	68,982	129,947	71,167	165,271
Vehicles	571	286	2,210	846
Equipments	49	135	50	185
Plant and Machinery	2,226	14,349	1,389	15,943
Total Right-of-Use Assets	<u>105,557</u>	<u>498,783</u>	<u>102,737</u>	<u>464,704</u>

Additions to Right-of-Use assets during the year ended 31 December 2022 are SAR 94.0 million (2021: SAR 93.5 million).

Lease liabilities as at year end are as follows:

	31 December 2022	31 December 2021
	SAR '000	SAR '000
Non-Current portion of Lease Liabilities	391,738	360,434
Current portion of Lease Liabilities	75,092	80,710
Total Lease Liabilities	<u>466,830</u>	<u>441,144</u>

The total interest expense on lease liabilities recognized during the year ended 31 December 2022 is SAR 16.0 million (2021: SAR 16.0 million).

Expenses relating to short-term and low-value asset leases are SAR 11.6 million and SAR 3.4 million, respectively (2021: SAR 31.3 million and SAR 2.8 million, respectively).

The total cash outflow for leases in 2022 was SAR 120.8 million (2021: SAR 101.1 million).

10. INTANGIBLE ASSETS AND GOODWILL

	31 December 2022	31 December 2021
	SAR '000	SAR '000
Software Licenses (Refer note 10.1)	177,043	186,520
Goodwill (Refer note 10.2)	948,716	942,585
Customer Relationships and Brands (Refer note 10.3)	19,842	-
	<u>1,145,601</u>	<u>1,129,105</u>

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10. INTANGIBLE ASSETS AND GOODWILL (Continued...)

10.1. Software Licenses

	Software Licenses	Software Licenses in Progress*	Total
	SAR '000	SAR '000	SAR '000
Cost			
At 1 January 2022	498,380	22,318	520,698
On Acquisition of Subsidiary (Refer note 13)	14	-	14
Additions during the Year	-	33,339	33,339
Transfers during the Year	37,724	(37,724)	-
Disposals during the Year	(1,393)	-	(1,393)
Currency Translation Difference	(3,189)	(7)	(3,196)
At 31 December 2022	531,536	17,926	549,462
Accumulated Amortisation			
At 1 January 2022	334,178	-	334,178
On Acquisition of Subsidiary (Refer note 13)	5	-	5
Amortisation for the Year	42,425	-	42,425
Disposals during the Year	(1,393)	-	(1,393)
Currency Translation Difference	(2,796)	-	(2,796)
At 31 December 2022	372,419	-	372,419
Net Book Value			
At 31 December 2022	159,117	17,926	177,043
Cost			
At 1 January 2021	417,845	125,230	543,075
Additions during the Year	-	57,175	57,175
Transfers during the Year	80,750	(160,087)	(79,337)
Disposals during the Year	(239)	-	(239)
Currency Translation Difference	24	-	24
At 31 December 2021	498,380	22,318	520,698
Accumulated Amortisation			
At 1 January 2021	267,762	-	267,762
Amortisation for the Year	66,476	-	66,476
Disposals during the Year	(73)	-	(73)
Currency Translation Difference	13	-	13
At 31 December 2021	334,178	-	334,178
Net Book Value			
At 31 December 2021	164,202	22,318	186,520

*Software licenses in progress include certain software under installation. This majorly includes externally acquired software and licenses.

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10. INTANGIBLE ASSETS AND GOODWILL (Continued...)

10.2. Goodwill

The goodwill relates to the acquisition of Western Bakeries Company Limited (WB) in 2007, Hail Agricultural Development Company (HADCO) in 2009, International Dairy and Juice Limited (IDJ) in 2012 and Bakemart in 2022.

	WB	HADCO	IDJ	Bakemart	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost					
At 1 January 2022	548,636	244,832	477,299	-	1,270,767
On Acquisition of Subsidiary (Refer note 13)	-	-	-	30,177	30,177
Currency Translation Difference	-	-	(24,032)	-	(24,032)
At 31 December 2022	548,636	244,832	453,267	30,177	1,276,912
Accumulated Impairment					
At 1 January 2022	-	-	328,196	-	328,196
At 31 December 2022	-	-	328,196	-	328,196
Net Carrying Value					
At 31 December 2022	548,636	244,832	125,071	30,177	948,716
Cost					
At 1 January 2021	548,636	244,832	477,043	-	1,270,511
Currency Translation Difference	-	-	256	-	256
At 31 December 2021	548,636	244,832	477,299	-	1,270,767
Accumulated Impairment					
At 1 January 2021	-	-	328,182	-	328,182
At 31 December 2021	-	-	328,182	-	328,182
Net Carrying Value					
At 31 December 2021	548,636	244,832	149,117	-	942,585

WB and Bakemart 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 CGU 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 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 management covering a five-year period. The pre-tax discount rate is applied to cash flow projections for respective CGUs that varies in the range of 10.5% to 22.5%. Terminal value is calculated using 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 rates and pre-tax discount rates.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Sales growth rate	Average annual growth rate over the five-year forecast period, based on past performance and management's expectations of market development.
Pre-tax discount rate	A discount rate, namely weighted average cost of capital (WACC), is applied for specific business areas based on assumptions regarding interest rates, tax rates and risk premiums and is recalculated to a before-tax rate ('Pre-tax discount rate').

Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

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10. INTANGIBLE ASSETS AND GOODWILL (Continued...)

10.2. Goodwill (Continued...)

Sensitivity to Changes in Assumptions – WB

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 5.2%. If all other assumptions kept the same; a reduction of this growth rate by 47.8% would give a value in use equal to the current carrying amount.

(b) Pre-tax discount rate

The Pre-tax discount rate in the forecast period has been estimated to be 10.5%. If all other assumptions kept the same; an increase of this discount rate to 76.9% 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.

(a) Sales Growth Assumption

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 8.4%. Keeping all other assumptions same, a reduction in growth rate by 18.8% would give a value in use equal to the current carrying amount.

(b) Pre-tax discount rate

The Pre-tax discount rate in the forecast period has been estimated to be 10.5%. If all other assumptions kept the same; an increase of this discount rate by 43.6% 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 15.4%. If all other assumptions kept the same; a reduction of this growth rate by 10% would give a value in use equal to the current carrying amount.

(b) Pre-tax discount rate

Changes in the value in use calculations for IDJ are not sensitive to material changes in pre-tax discount rate.

Sensitivity to Changes in Assumptions – Bakemart

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 12.3%. If all other assumptions kept the same; a reduction of this growth rate by 15.5% would give a value in use equal to the current carrying amount.

(b) Pre-tax discount rate

Changes in the value in use calculations for Bakemart are not sensitive to material changes in pre-tax discount rate.

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10. INTANGIBLE ASSETS AND GOODWILL (Continued...)

10.3. Customer Relationships and Brands

The customer relationships and brands were acquired as part of a business combination (Refer note 13). They are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line method based on the timing of projected cash flows of the contracts/ business over their estimated useful lives.

	2022	2021
	SAR '000	SAR '000
On Acquisition of Subsidiary (Refer note 13)	24,802	-
Amortization	(4,960)	-
At 31 December	19,842	-

11. BIOLOGICAL ASSETS

The Group's biological assets consist of dairy herd, poultry flock 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
Cost					
At 1 January 2022	1,958,317	203,136	93,143	-	2,254,596
Additions during the Year*	717,559	171,850	1,648,888	-	2,538,297
Transfers to Inventories	-	-	(1,637,705)	-	(1,637,705)
Disposals during the Year	(480,342)	(150,094)	-	-	(630,436)
Currency Translation Difference	34	-	-	-	34
At 31 December 2022	2,195,568	224,892	104,326	-	2,524,786
Accumulated Depreciation					
At 1 January 2022	585,271	107,098	-	-	692,369
Depreciation for the Year	361,119	119,375	-	-	480,494
Disposals during the Year	(201,364)	(115,951)	-	-	(317,315)
Currency Translation Difference	13	-	-	-	13
At 31 December 2022	745,039	110,522	-	-	855,561
Net Book Value					
At 31 December 2022	1,450,529	114,370	104,326	-	1,669,225

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11. BIOLOGICAL ASSETS (Continued..)

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Measured at Fair Value					
At 1 January 2022	-	-	-	24,837	24,837
Additions during the Year	-	-	-	357,388	357,388
Transfers to Inventories	-	-	-	(359,562)	(359,562)
Gain Arising from Changes in Fair Value less Cost to Sell	-	-	-	(4,191)	(4,191)
Currency Translation Difference	-	-	-	14	14
At 31 December 2022	-	-	-	18,486	18,486
Carrying Amount					
At 31 December 2022	-	-	-	18,486	18,486
Biological Assets Classification:					
At 31 December 2022					
Biological Assets Classified as Non-Current Assets	1,450,529	114,370	-	-	1,564,899
Biological Assets Classified as Current Assets	-	-	104,326	18,486	122,812
	1,450,529	114,370	104,326	18,486	1,687,711
<i>* Additions include Biological Assets appreciation amounting to SAR 717.5 million.</i>					
	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Cost					
At 1 January 2021	1,884,914	159,281	67,871	-	2,112,066
Additions during the Year*	687,699	134,396	1,352,788	-	2,174,883
Transfers to Inventories	-	-	(1,325,836)	-	(1,325,836)
Disposals during the Year	(614,314)	(90,541)	(1,680)	-	(706,535)
Currency Translation Difference	18	-	-	-	18
At 31 December 2021	1,958,317	203,136	93,143	-	2,254,596
Accumulated Depreciation					
At 1 January 2021	555,732	96,384	-	-	652,116
Depreciation for the Year	270,780	89,461	-	-	360,241
Disposals during the Year	(241,248)	(78,747)	-	-	(319,995)
Currency Translation Difference	7	-	-	-	7
At 31 December 2021	585,271	107,098	-	-	692,369
Net Book Value					
At 31 December 2021	1,373,046	96,038	93,143	-	1,562,227

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11. BIOLOGICAL ASSETS (Continued..)

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Measured at Fair Value					
At 1 January 2021	-	-	-	22,324	22,324
Additions during the Year	-	-	-	626,197	626,197
Transfers to Inventories	-	-	-	(624,844)	(624,844)
Loss Arising from Changes in Fair Value less Cost to Sell	-	-	-	1,142	1,142
Currency Translation Difference	-	-	-	18	18
At 31 December 2021	-	-	-	24,837	24,837
Carrying Amount					
At 31 December 2021	-	-	-	24,837	24,837
Biological Assets Classification:					
At 31 December 2021					
Biological Assets Classified as Non-Current Assets	1,373,046	96,038	-	-	1,469,084
Biological Assets Classified as Current Assets	-	-	93,143	24,837	117,980
	1,373,046	96,038	93,143	24,837	1,587,064

* Additions include Biological Assets appreciation amounting to SAR 687.6 million.

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 Saudi Arabia 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. Saudi Arabia's 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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12. INVESTMENTS

The investments comprise the following:

	Nature	Principal activity	Country of Incorporation	31 December	31 December	31 December	31 December
				2022	2021	2022	2021
				%	%	SAR '000	SAR '000
<u>Investments in Associate and Joint Venture</u>							
Almarai Company W.L.L.	Joint Venture	Dormant	Qatar	50.0%	50.0%	204	204
		Source, Process and					
Maria Fondomonte S.A. (Refer note 12.1 and 12.2)	Associate	Sale of Forage	Romania	49.0%	49.0%	6,108	88,545
		Supplies				<u>6,312</u>	<u>88,749</u>
<u>Equity Investment (Refer note 12.3)</u>							
Mobile Telecommunications Company							
Saudi Arabia - ("Zain")				0.2%	0.4%	<u>15,607</u>	<u>46,894</u>

12.1. Movement in the investment in associate is as follows:

	<u>2022</u>	<u>2021</u>
	SAR '000	SAR '000
Opening balance	88,545	89,419
Share of Results for the Year	716	(941)
Impairment during the Year (Refer note 12.2)	(82,921)	-
Currency Translation Difference	(232)	67
Closing balance	<u>6,108</u>	<u>88,545</u>

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12. INVESTMENTS (Continued..)

12.2. On 22 Safar 1441 A.H. (21 October 2019) the Group acquired 49% equity interest in Maria Fondomonte S.A. (the "Associate") to strengthen its dairy herd feed supply. The Group reviewed this investment for impairment on account of breach of certain clauses set forth in the shareholders' agreement (the "Agreement") dated 21 October 2019. Based on fair valuation of Group's equity stake in the Associate, an impairment loss of SAR 82.9 million was recognised in 'Other expenses' in the Consolidated Statement of Profit or Loss.

The Group has also initiated legal action under the Agreement to recover its investment in the Associate. The Group will reassess the carrying value of this investment at each reporting period and adjust or reverse the impairment in subsequent periods accordingly.

12.3. During the year 2022, the Group sold 2.3 million of its shares in Zain for a cash consideration of SAR 32.9 million. The remaining equity investment of 1.6 million shares in Zain is measured at fair value based on quoted market price available on the Saudi Exchange ("Tadawul").

13. BUSINESS COMBINATION

As explained in note 1, the Group effectively obtained control of Bakemart on 9 Jumada Al-Thani 1443 A.H (12 January 2022). The acquired business contributed revenues of SAR 88.4 million and net income of SAR 12.8 million to the Group for the period from 12 January 2022 to 31 December 2022. If the acquisition had taken place at the beginning of the year, the consolidated revenue and profit for the year 2022 would have been impacted by SAR 0.3 million and SAR 0.1 million, respectively.

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

	Fair Value on Acquisition SAR'000
Assets Acquired:	
<u>Non-Current Assets</u>	
Property, Plant and Equipment	7,756
Software and Licenses	9
Customer Relationships and Brands (Refer note 10.3)	24,802
Right-of-Use Assets	30,141
	62,708
<u>Current Assets</u>	
Cash and Cash Equivalents	2,764
Trade Receivables, Prepayments and Other Receivables	27,444
Inventories	2,792
	33,000
Total Assets	95,708
 Liabilities Assumed:	
<u>Non-Current Liabilities</u>	
Lease Liabilities	30,141
Loans and Borrowings	849
Employee Retirement Benefits	4,773
	35,763

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13. BUSINESS COMBINATION (Continued...)

	Fair Value on Acquisition
	SAR'000
<u>Current Liabilities</u>	
Bank Overdraft	1,010
Trade and Other Payables	17,753
	18,763
Total Liabilities	54,526
Total Purchase Consideration Paid	71,359
Total Identifiable Net Assets	(41,182)
Goodwill Arising on Acquisition (Refer note 10.2)	30,177
<u>Cash Outflow on Acquisition:</u>	
Net Cash Acquired with the Subsidiary	2,764
Cash Paid	(71,359)
Net Cash Outflow	(68,595)

14. INVENTORIES

	31 December 2022	31 December 2021
	SAR '000	SAR '000
Raw Materials	4,111,541	3,450,070
Finished Goods	720,304	540,291
Spares	676,761	575,809
Work in Progress	269,877	205,865
Total Inventories	5,778,483	4,772,035
Allowance for Slow Moving Inventories (Refer note 14.1)	(541,347)	(418,439)
Total	5,237,136	4,353,596

14.1. Movement in the allowance for slow moving inventories:

	2022	2021
	SAR '000	SAR '000
Opening balance	418,439	424,744
Allowance made during the year	166,216	4,525
Written off during the year	(38,108)	(10,830)
Currency Translation Difference	(5,200)	-
Closing balance	541,347	418,439

14.2. 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.

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15. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2022	31 December 2021
	SAR '000	SAR '000
Trade Receivables - Third Parties	1,456,802	1,311,683
- Related Parties (Refer note 36)	233,775	230,823
	<u>1,690,577</u>	<u>1,542,506</u>
Less: Allowance for impairment of trade receivables (Refer note 38.2)	(139,707)	(123,504)
Net Trade Receivables	<u>1,550,870</u>	<u>1,419,002</u>
Prepayments	417,409	411,193
Government Grants	71,616	97,658
Other Receivables	116,043	63,352
	<u><u>2,155,938</u></u>	<u><u>1,991,205</u></u>
Ageing of Trade Receivables		
Upto 2 months	1,293,145	1,220,049
2 - 3 months	148,581	96,443
More than 3 months	248,851	226,014
	<u>1,690,577</u>	<u>1,542,506</u>

15.1. Movement in allowance for impairment of trade receivables is as follows:

	2022	2021
	SAR '000	SAR '000
At the beginning of the Year	123,504	115,387
Allowance made during the Year (Refer note 15.3)	26,303	11,845
Written off during the year	(9,933)	(3,728)
Currency Translation Difference	(167)	-
At the end of the Year	<u>139,707</u>	<u>123,504</u>

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

15.3. It includes SAR 9.9 million trade receivables written off during the year (2021: SAR 3.7 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.

15.4. The credit terms of the trade receivables vary across the business segments of the Group and therefore any significant change in product-mix also affects the ageing profile of trade receivables accordingly.

16. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
	SAR '000	SAR '000
Cash at Bank - Current accounts (Refer note 16.1)	480,204	536,189
Cash at Bank - Deposits (Refer note 16.2)	193	919
Cash in Hand	66,519	43,805
	<u>546,916</u>	<u>580,913</u>

16.1. Cash available in banks are non-interest bearing.

16.2. The average rate on bank deposits during 2022 is 2.26% (2021: 0.49%) per annum with an average maturity of less than a month. Bank deposits are placed in Islamic Murabha accounts.

16.3. The cash and cash equivalents include SAR 29.8 million earmarked in dividend accounts. Such accounts are subject to regulatory restrictions and are therefore not available for general use by the Company.

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17. SHARE CAPITAL

The Company's share capital at 31 December 2022 amounted to SAR 10,000 million (2021: SAR 10,000 million), consisting of 1,000 million (2021: 1,000 million) fully paid and issued shares of SAR 10 each.

18. EMPLOYEE EQUITY PARTICIPATION PROGRAMS

18.1. 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 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 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 ESOP 2020 was granted in Rajab 1441 A.H. (March 2020). The number of shares shall not exceed 4,100,000 shares.

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 2017	ESOP 2018	ESOP 2019	ESOP 2020
Input to the Model:				
Dividend Yield	1.8%	1.4%	1.5%	1.7%
Expected Volatility	15.0%	19.1%	22.9%	23.1%
Risk Free Interest Rate	5.0%	3.0%	3.0%	2.1%
Contractual Life of Share Options (Years)	3.0	2.4	2.5	2.9
Share Price (SAR) at Grant Date	55.6	49.2	51.9	37.0
Exercise Price (SAR) at Grant Date	46.0	55.0	55.0	50.0
Fair Value per Option	13.9	4.1	6.7	2.1
Remaining Contractual Life (Years)	-	-	-	0.3
Weighted Average Share Price during the year	58.8	53.2	52.6	51.3

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.

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18. EMPLOYEE EQUITY PARTICIPATION PROGRAMS (Continued..)

18.1. Employee Stock Option Program ("ESOP") (Continued..):

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

	<u>2022</u>	<u>2021</u>
At the beginning of the year	10,000,000	11,263,069
Settled during the year	(154,000)	(517,992)
Forfeited during the year	(232,000)	(745,077)
At the end of the year	<u>9,614,000</u>	<u>10,000,000</u>

18.2. Employee Share Plan ("ESP"):

Under the ESP, the equity instruments (the shares) are granted to the eligible employees for equity ownership (treasury shares) under the same terms and conditions as mentioned above for ESOP. The fair value per award is determined using the market price of the Company's share at the grant date.

The ESP 2021 was granted in Rabi Al-Akhar 1443 A.H. (November 2021). The number of shares awarded under the plan were 472,500 shares.

The ESP 2022 was granted in Jumada Al Thani 1444 A.H. (March 2022). The number of shares awarded under the plan were 513,500 shares.

18.3. The following table shows movement of treasury shares during the year:

	<u>2022</u>	<u>2021</u>
	SAR '000	SAR '000
<u>TREASURY SHARES</u>		
At the beginning of the Year	875,157	906,594
Settled during the Year	(8,555)	(31,437)
At the end of the Year	<u>866,602</u>	<u>875,157</u>

19. OTHER RESERVES

	Notes	31 December	31 December
		2022	2021
		SAR '000	SAR '000
Hedging Reserve		(48,950)	43,027
Currency Translation Reserve	19.1	686,672	560,705
Others	19.2	171,677	18,657
Net Debit Balance		<u>809,399</u>	<u>622,389</u>

19.1. During 2022, the Egyptian pound (EGP) recorded an average 36.5% devaluation in rate against the SAR. As a result, currency translation adjustment has been recorded in relation to the translation of foreign operations in Egypt.

19.2. Others include movement for balances related to purchase of additional stake in MFI SAR 164.6 million (2021: SAR 102.7 million), share based payment expenses SAR 12.2 million and settlement of treasury shares SAR 2.3 million.

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20. NON-CONTROLLING INTERESTS

The summarized financial information below substantially relates to a subsidiary of the Group (International Dairy and Juice Limited) and represents amounts before intragroup eliminations.

	31 December	31 December
	2022	2021
	SAR '000	SAR '000
Non-current assets	1,077,570	1,726,087
Current assets	777,825	874,168
Non-current liabilities	425,888	563,362
Current liabilities	642,609	801,049
Equity attributable to owners of the Company	786,898	1,235,844
Non-Controlling Interests	311,505	498,919
Revenue	2,718,227	3,009,037
Expenses	(2,636,685)	(2,920,297)
Profit for the year	81,542	88,740
Net Profit attributable to:		
Owners of the Company	63,216	72,847
Non-Controlling Interests	18,326	15,893
Total Comprehensive (Loss) / Income attributable to:		
Owners of the Company	(90,730)	73,602
Non-Controlling Interests	(101,407)	16,916
Total Comprehensive (Loss) / Income for the year	(192,137)	90,518
Cash Flows:		
Cash Flows from Operating Activities	223,876	74,283
Cash Flows from Investing Activities	(63,479)	(94,709)
Cash Flows from Financing Activities	(139,817)	53,963

21. LOANS AND BORROWINGS

		31 December	31 December
	Notes	2022	2021
		SAR '000	SAR '000
Non-Current Liabilities			
Islamic Banking Facilities (Murabaha)	21.1	5,232,256	3,467,597
Saudi Industrial Development Fund ("SIDF")	21.2	875,524	1,153,796
Banking Facilities of Non-GCC Subsidiaries	21.3	89,007	164,357
Supranational (Murabaha)	21.4	304,017	321,979
Agricultural Development Fund ("ADF")	21.5	75,337	94,095
		<u>6,576,141</u>	<u>5,201,824</u>
International Sukuk	21.6	1,872,803	1,870,416
		<u>8,448,944</u>	<u>7,072,240</u>

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21. LOANS AND BORROWINGS (Continued...)

	Notes	31 December 2022	31 December 2021
		SAR '000	SAR '000
Current Liabilities			
Islamic Banking Facilities (Murabaha)	21.1	506,674	424,761
Saudi Industrial Development Fund ("SIDF")	21.2	283,713	263,877
Banking Facilities of Non-GCC Subsidiaries	21.3	124,245	233,177
Supranational (Murabaha)	21.4	96,636	46,704
Agricultural Development Fund ("ADF")	21.5	27,758	28,155
		<u>1,039,026</u>	<u>996,674</u>
Sukuk	21.6	-	1,608,861
International Sukuk	21.6	26,063	26,063
		<u>1,065,089</u>	<u>2,631,598</u>
Total Loan and Borrowings		<u><u>9,514,033</u></u>	<u><u>9,703,838</u></u>

- 21.1. The borrowings under Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group and are denominated in SAR. 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 2022, the Group entered into new Islamic Banking facilities for SAR 1,700.0 million (2021: Nil). As at 31 December 2022, SAR 4,677.2 million Islamic banking facilities (Murabaha) were unutilised and available for drawdown with maturities predominantly greater than five years (2021: SAR 5,631.4 million).
- 21.2. The borrowings of the Group from the SIDF, denominated in SAR, are secured by a mortgage on land, building, plant and machineries equivalent to the outstanding borrowings. As at 31 December 2022, the Group had no unutilised SIDF facilities available for drawdown (2021: Nil). 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 and JOD from foreign banking and developing institutions, secured by guarantees provided by the shareholders of the Parent Company in proportion to their respective shareholdings. As at 31 December 2022, SAR equivalent 366.7 million (2021: SAR 320.5 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 Murabaha facilities and in USD, secured by promissory notes given by the Group. As at 31 December 2022, the Group had SAR 438.9 million of unutilised facility available for drawdown (2021: SAR 513.9 million).
- 21.5. The borrowing from ADF, denominated in SAR, is secured by a mortgage on land, building, plant and machineries equivalent to the outstanding borrowings. During the year ended 31 December 2022, the Group entered into new short term (Murabaha) facilities for SAR 500 million. As at 31 December 2022, the Group had SAR 500 million unutilised ADF facilities available (2021: 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 fifth Sukuk – Series V amounting to SAR 1,600 million at a par value of 1.0 million each issued by the Company on 3 Dhul Hijja 1436 A.H. (16 September 2015) was redeemed at par on its date of maturity i.e. 20 Safar 1444 A.H. (16 September 2022).

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21. LOANS AND BORROWINGS (Continued...)

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).

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 2022, there has not been any non-compliance observed for any of the covenants.

22. EMPLOYEE RETIREMENT BENEFITS

	2022	2021
	SAR '000	SAR '000
Opening Balance	951,827	909,353
On Acquisition of Subsidiary (Refer note 13)	4,773	-
Consolidated Statement of Profit or Loss		
Current Service Cost	98,649	101,197
Interest Cost	21,365	15,918
Consolidated Statement of Comprehensive Income		
Actuarial Loss	42,057	4,929
Cash Movements:		
Benefits paid	(62,090)	(79,570)
Closing Balance	<u>1,056,581</u>	<u>951,827</u>
	2022	2021
	SAR '000	SAR '000
Sensitivity in Employee Retirement Benefits Liability		
Salary Inflation		
1 % Decrease	983,208	902,909
Base	1,056,581	951,827
1 % Increase	1,138,029	1,006,789
Discount Rate		
1 % Decrease	1,138,718	1,019,859
Base	1,056,581	951,827
1 % Increase	983,992	892,560

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

	31 December	31 December
	2022	2021
GCC employees		
Number of Employees	38,370	34,670
Weighted average age of employees (years)	37	38
Weighted average years of past service	6	7

Weighted average duration of the employee retirement benefit liability is 6.7 years.

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22. EMPLOYEE RETIREMENT BENEFITS (Continued..)

Country	Gross Discount Rate		Salary Growth Rate	
	2022	2021	2022	2021
Saudi Arabia	4.4%	2.2%	4.4%	2.2%
UAE	4.1%	2.2%	4.1%	2.2%
Oman	5.9%	4.9%	5.9%	4.9%
Kuwait	5.1%	2.8%	5.1%	2.8%
Bahrain	6.7%	4.6%	6.7%	4.6%
Qatar	4.2%	2.2%	4.2%	2.2%

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.

Maturity Analysis of Undiscounted Cash Flows

	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
31 December 2022					
Employee Retirement Benefits	142,076	124,413	350,995	1,309,735	1,927,219
31 December 2021					
Employee Retirement Benefits	129,238	139,571	349,725	1,292,503	1,911,037

23. DEFERRED TAX

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

23.1. Deferred Tax Assets

	2022	2021
	SAR '000	SAR '000
Opening Balance	45,339	35,517
(Decrease) / Increase during the Year	(370)	9,982
Currency Translation Difference	(15,295)	(160)
Closing Balance	29,674	45,339

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

	2022	2021
	SAR '000	SAR '000
Opening Balance	117,302	102,139
Increase during the Year	652	14,699
Currency Translation Difference	(27,465)	464
Closing Balance	90,489	117,302

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23. DEFERRED TAX (Continued..)

23.2. Deferred Tax Liabilities (Continued..)

Deferred tax liability relates to taxable temporary differences arising majorly 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.

24. ZAKAT AND INCOME TAX

	31 December 2022	31 December 2021
	SAR '000	SAR '000
Zakat Provision (Refer note 24.1)	168,596	429,988
Income Tax Provision (Refer note 24.2)	17,503	17,264
	186,099	447,252

24.1. Zakat Provision

Zakat is charged at the higher of net adjusted income or Zakat base as required by the ZATCA. The key elements of zakat base primarily include equity components, net income and liabilities adjusted for zakat purpose.

	2022	2021
	SAR '000	SAR '000
Opening Balance	429,988	371,993
Charge for the Year, net	62,600	77,080
Payments	(323,992)	(19,085)
Closing Balance	168,596	429,988

The Company filed its Consolidated Zakat returns for all the years up to 2021. The Zakat assessments for all the years up to 2020 for Almarai Company have been closed and settled with the ZATCA. For MFI, zakat and income tax assessments for the years up to 2015 and 2018 have been closed with ZATCA and the assessments specifically relating to the years 2016 and 2017 are still open. Management believes that the available provision is sufficient for any liability, if any, that may arise on finalization of open years.

HADCO filed its Zakat returns for all years up to 2008 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the ZATCA for all years up to 2007 while the 2008 Zakat return is under review by the ZATCA. 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. Income Tax Provision

	2022	2021
	SAR '000	SAR '000
Opening Balance	17,264	26,311
Charge for the Year	7,169	6,617
Payments	(6,930)	(15,664)
Closing Balance	17,503	17,264

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24. ZAKAT AND INCOME TAX (Continued...)

24.2. Income Tax Provision (Continued...)

Foreign subsidiaries filed their tax returns for all years up to 2021 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 2014, and the latest year assessed is 2020.

The difference between effective tax rate and accounting rate is not considered significant.

25. TRADE AND OTHER PAYABLES

Management considers that the carrying amount of trade payables approximates to their fair value.

	31 December 2022	31 December 2021
	SAR '000	SAR '000
Trade Payable - Third Parties	1,258,361	1,318,677
- Related Parties (Refer note 36)	7,867	5,582
Accrued Expenses (Refer note 25.1)	1,937,573	1,518,690
Other Payables	451,752	496,547
	<u>3,655,553</u>	<u>3,339,496</u>

25.1. Accrued expenses include accrual against volume discounts amounting to SAR 435.4 million (2021: SAR 320.8 million), payroll related accrual amounting to SAR 359.1 million (2021: SAR 304.7 million) and accrual against expected sales returns amounting to SAR 86.3 million (2021: SAR 63.0 million). Other payables include unrecognised portion of Government grants related to inventories, dividend payables and advance from customers at the reporting date.

26. COST OF SALES

	2022	2021
	SAR '000	SAR '000
Material Consumed	8,641,351	6,837,845
Government Grants	(335,071)	(272,103)
Employee Costs	1,796,481	1,680,742
Depreciation of Property, Plant and Equipment	1,506,742	1,362,511
Repairs and Maintenance	748,136	597,530
Depreciation of Biological Assets	480,494	360,241
Telephone and Electricity	370,655	335,188
Vaccines and Drugs	145,574	143,534
Consumables	84,431	80,259
Outside Processing Charges	49,521	49,687
Amortisation of Intangible Assets	21,842	41,014
Depreciation of Right-of-Use Assets	38,390	30,287
Amortisation of Long-term Prepayments (Refer note 8)	27,262	27,262
Other Expenses	239,747	204,099
Less:		
Appreciation of Biological Assets (Refer note 11)	(717,520)	(687,646)
	<u>13,098,035</u>	<u>10,790,450</u>

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27. SELLING AND DISTRIBUTION EXPENSES

	<u>2022</u>	<u>2021</u>
	SAR '000	SAR '000
Employee Costs	1,600,448	1,531,939
Marketing Expenses	458,611	352,803
Depreciation of Property, Plant and Equipment	225,522	228,223
Repairs and Maintenance	199,954	179,447
Depreciation of Right-of-Use Assets	57,619	62,740
Telephone and Electricity	26,556	23,046
Consumables	13,414	12,762
Amortisation of Intangible Assets	1,442	4,970
Outside Processing Charges	-	16
Other Expenses	125,972	122,905
	<u>2,709,538</u>	<u>2,518,851</u>

28. GENERAL AND ADMINISTRATION EXPENSES

	<u>2022</u>	<u>2021</u>
	SAR '000	SAR '000
Employee Costs	263,923	244,356
Insurance	84,880	85,957
Repairs and Maintenance	44,909	38,763
Amortisation of Intangible Assets	24,101	20,492
Depreciation of Property, Plant and Equipment	19,981	17,835
Depreciation of Right-of-Use Assets	9,548	9,710
Telephone and Electricity	4,986	3,910
Consumables	3,433	834
Other Expenses	2,933	6,300
	<u>458,694</u>	<u>428,157</u>

29. OTHER EXPENSES, NET

	<u>2022</u>	<u>2021</u>
	SAR '000	SAR '000
Loss on Disposal of Biological Assets (Refer note 29.1)	85,600	135,875
Impairment on Investment in Associate (Refer note 12.2)	82,921	-
Loss / (Gain) on Disposal of Property, Plant and Equipment	2,582	(6,221)
Net Gain on Disposal of Right-of-Use Assets	(27)	(1,177)
Dividend on Equity Investment	(300)	(300)
Other Income	(4,966)	(1,012)
Exchange Gain	(12,454)	(41,602)
	<u>153,356</u>	<u>85,563</u>

29.1. Each cow within the dairy herd is depreciated over the average useful life of approximately 4 lactations (Refer note 5.9). 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.

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29. OTHER EXPENSES, NET

29.1. (Continued..)

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.

30. FINANCE COST, NET

	<u>2022</u>	<u>2021</u>
	SAR '000	SAR '000
Interest and Finance Charges	433,707	359,190
Interest on Lease Liabilities	16,008	15,966
Interest Income on other Deposits	(1,658)	(3,796)
Exchange Loss / (Gain)	2,043	(18,133)
Interest Capitalisation	(19,699)	(12,348)
Net (Gain) / Loss on Settlement of Interest Rate Swap Instrument	(2,282)	5,184
	<u>428,119</u>	<u>346,063</u>

31. EARNINGS PER SHARE

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

	<u>2022</u>	<u>2021</u>
Profit for the year attributable to the shareholders of the Company SAR '000'	1,759,812	1,563,543
Number of shares '000'		
Weighted average number of ordinary shares for the purposes of basic earnings	981,897	981,559
Weighted average number of ordinary shares repurchased	18,103	18,441
Weighted average number of ordinary shares for the purposes of diluted earning	<u>1,000,000</u>	<u>1,000,000</u>
Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company		
- Basic	<u>1.79</u>	<u>1.59</u>
- Diluted	<u>1.76</u>	<u>1.56</u>

Weighted average number of shares 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, Infant Nutrition and Food Services. Selected financial information as at 31 December 2022 and 31 December 2021, 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	Arable, Horticulture, Infant Nutrition and Food Services

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32. SEGMENT REPORTING (Continued..)

	Dairy and			Other	Total
	Juice	Bakery	Poultry	Activities	
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
31 December 2022					
Revenue	12,593,458	2,439,300	3,013,435	1,572,602	19,618,795
Third Party Revenue	12,504,123	2,439,300	3,013,435	765,400	18,722,258
Depreciation and Amortisation	(1,473,443)	(284,534)	(455,019)	(199,947)	(2,412,943)
Share of Results of Associate and Joint Venture	-	-	-	716	716
Impairment during the Year	-	-	-	(82,921)	(82,921)
Profit / (Loss) attributable to Shareholders of the Company	1,246,226	334,070	299,422	(119,906)	1,759,812
Profit / (Loss) for the Year	1,261,552	334,070	302,422	(119,906)	1,778,138
Total Assets	21,099,251	1,977,247	6,093,457	2,904,015	32,073,970
Total Liabilities	13,319,855	530,389	551,319	689,542	15,091,105

	Dairy and			Other	Total
	Juice	Bakery	Poultry	Activities	
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
31 December 2021					
Revenue	11,202,470	1,788,862	2,301,459	1,075,536	16,368,327
Third Party Revenue	11,141,325	1,788,862	2,301,459	618,074	15,849,720
Depreciation and Amortisation	(1,427,956)	(207,580)	(337,184)	(192,565)	(2,165,285)
Share of Results of Associate and Joint Venture	-	-	-	(941)	(941)
Profit / (Loss) attributable to Shareholders of the Company	1,214,992	218,002	214,985	(84,436)	1,563,543
Profit / (Loss) for the Year	1,220,186	226,199	217,487	(84,436)	1,579,436
Total Assets	21,287,251	1,998,297	5,548,292	2,920,462	31,754,302
Total Liabilities	13,404,191	443,640	616,534	671,524	15,135,889

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 and tax expenses are not analysed at segment level, as it is driven by the central treasury and tax functions respectively, which manages these expenses at the Group level.

Segment assets are measured in the same way as in the Consolidated Financial Statements. These assets are allocated and analysed based on the operations of the segment. The Group's management does not analyse total assets based on its geographical location and therefore country-wise total assets are not disclosed in these Consolidated Financial Statements.

The revenue from business segments categorised by geographical region is as follows:

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
31 December 2022					
Saudi Arabia	7,507,961	1,880,922	2,515,815	195,054	12,099,752
Other GCC Countries	2,698,944	526,712	387,376	29,558	3,642,590
Other Countries	2,297,218	31,666	110,244	540,788	2,979,916
Total	12,504,123	2,439,300	3,013,435	765,400	18,722,258
31 December 2021					
Saudi Arabia	6,735,224	1,428,420	1,903,967	155,151	10,222,762
Other GCC Countries	2,474,912	341,294	280,205	24,937	3,121,348
Other Countries	1,931,189	19,148	117,287	437,986	2,505,610
Total	11,141,325	1,788,862	2,301,459	618,074	15,849,720

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33. BANK OVERDRAFT

It represents the overdraft facility arrangement in IDJ (Egypt and Jordan) amounting to SAR 185 million (2021: SAR 235.5 million), secured by corporate guarantee given by the Shareholders. The average rate on overdraft facility during 2022 was 9.5% and 6.0% per annum for Egypt and Jordan respectively (2021: 9.5% and 6.0%).

34. CASH FLOW INFORMATION

34.1. Non-cash Investing and Finance Activities

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

Acquisition of Right-of-Use-Assets (Refer note 9).

34.2. Net Debt Reconciliation

	Liabilities from financing activities				Asset	Total
	Loans and Borrowings	Bank Overdrafts	Lease Liabilities	Sub-total	Cash and Cash Equivalents	
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
Opening balance as at 1 January 2022	9,703,838	78,395	441,144	10,223,377	580,913	9,642,464
Financing cash flows	(94,676)	15,675	(107,318)	(186,319)	(19,067)	(167,252)
Changes in Leases	-	-	154,128	154,128	-	154,128
Finance Cost	408,536	3,575	16,008	428,119	-	428,119
Finance Cost Paid	(428,208)	(3,602)	(13,506)	(445,316)	-	(445,316)
Foreign exchange adjustments	(75,457)	(6,913)	(23,626)	(105,996)	(14,930)	(91,066)
Closing balance as at 31 December 2022	9,514,033	87,130	466,830	10,067,993	546,916	9,521,077
Opening balance as at 1 January 2021	11,114,968	137,512	425,489	11,677,969	503,510	11,174,459
Financing cash flows	(1,410,390)	(59,257)	(86,765)	(1,556,412)	76,997	(1,633,409)
Changes in Leases	-	-	100,369	100,369	-	100,369
Finance Cost	326,042	4,055	15,966	346,063	-	346,063
Finance Cost Paid	(338,494)	(3,952)	(14,369)	(356,815)	-	(356,815)
Foreign exchange adjustments	11,712	37	454	12,203	406	11,797
Closing balance as at 31 December 2021	9,703,838	78,395	441,144	10,223,377	580,913	9,642,464

35. COMMITMENT AND CONTINGENCIES

35.1. The commitment against letters of credit are SAR 437.3 million at 31 December 2022 (2021: SAR 173.6 million).

35.2. The contingent liabilities against letters of guarantee are SAR 1.5 billion at 31 December 2022 (2021: SAR 1.4 billion).

Contingent liabilities against letters of guarantee expire as follows.

	31 December 2022	31 December 2021
	SAR '000	SAR '000
Within One Year	1,189,560	461,843
Two to Five Years	82,221	759,263
After Five Years	205,633	201,540
Total	1,477,414	1,422,646

35.3. The Group had capital commitments amounting to SAR 1.2 billion at 31 December 2022 in respect of ongoing projects (2021: SAR 830.1 million). The majority of the capital commitments are for updating the existing production facilities, sales depot development, distribution fleet, fridges and IT equipment.

35.4. Refer to note 24.1 for zakat related matters.

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36. RELATED PARTY TRANSACTIONS

36.1. During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2022 and 2021 along with their balances:

Nature of Transaction	Transaction Amount		Balance at	
	2022	2021	31 December	31 December
	SAR '000	SAR '000	2022 SAR '000	2021 SAR '000
Sales To				
Panda Retail Company	714,967	731,026	128,479	132,001
Afia International Company	-	2,249	-	531
Herfy Food Services	1,242	-	76	-
Abdullah Al Othaim Markets	532,408	491,769	105,220	98,291
Total	1,248,617	1,225,044	233,775	230,823
Purchases From				
United Sugar Company	67,722	57,633	(5,704)	(4,845)
Maria Fondomonte S.A.	-	26,962	-	(462)
	67,722	84,595	(5,704)	(5,307)
Services From				
Arabian Shield Cooperative Insurance Company	160,169	162,054	(2,163)	(275)
Saudi Telecommunication Company - STC*	27,958	25,194	-	-
Zain	10,923	7,390	-	-
	199,050	194,638	(2,163)	(275)
Total	266,772	279,233	(7,867)	(5,582)
Finance Charges				
Saudi British Bank*	6,905	5,512	-	(1,587)
Banque Saudi Fransi	416	2,042	-	(588)
Saudi National Bank	8,904	9,187	-	(2,644)
	16,225	16,741	-	(4,819)
Bank Financing				
Saudi British Bank*	9,694	26,685	(1,751,429)	(1,042,002)
Banque Saudi Fransi	6,811	2,352	(262,575)	-
Saudi National Bank	23,711	14,586	(915,625)	(590,625)
	40,216	43,623	(2,929,629)	(1,632,627)

* STC and Saudi British Bank were related parties until 7 August 2022. The disclosed transactions reflect the total amount of trading activity carried out during 2022 and 2021 and the related balance as at 31 December for such years.

36.2. Sales and purchases (including services) carried out to/from related parties during the year based on the price lists in force and terms that would be available to third parties in the normal course of business. Terms and conditions related to loan financing arrangements have been disclosed in note 21 and they carry interest charges at market rates. All other transactions were made on normal commercial terms and conditions based on prevailing market rates.

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36. RELATED PARTY TRANSACTIONS (Continued...)

36.3. Bank financing movement is as follows:

	2022	2021
	SAR '000	SAR '000
Opening Balance	1,632,627	2,074,062
Drawdown during the Year	11,055,125	7,723,813
Repayment during the Year	(9,758,123)	(8,165,248)
Closing Balance	2,929,629	1,632,627

36.4. The related parties, other than subsidiaries, include the following:

Entity	Relationship
Panda Retail Company	Common Ownership and Directors of Almarai Group
Afia International Company	Common Ownership and Directors of Almarai Group
Herfy Food Services	Common Ownership and Directors of Almarai Group
United Sugar Company	Common Ownership and Directors of Almarai Group
Abdullah Al Othaim Markets	Key Management Personnel
Arabian Shield Cooperative Insurance Company	Common Directorship
Saudi Telecom Company	Common Directorship
Zain	Common Directorship
Saudi British Bank	Common Directorship
Banque Saudi Fransi	Common Directorship
Saudi National Bank	Common Directorship
Maria Fondomonte S.A.	Associate Company

36.5. 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 2022			31 December 2021		
	SAR '000			SAR '000		
Salaries and Compensation	500	8,640	9,140	500	7,707	8,207
Allowances	1,896	2,510	4,406	1,679	2,441	4,120
Annual and Periodic Bonuses	-	8,355	8,355	-	6,582	6,582
Shared Based Payment Transactions	-	3,332	3,332	-	1,087	1,087
In-kind Benefits	-	390	390	-	690	690
Other Benefits	1,800	1,359	3,159	1,600	5,952	7,552
Total	4,196	24,586	28,782	3,779	24,459	28,238

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37. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2022, 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 2022, the Group had 17 commission rate swap agreements in place with a total notional amount of SAR 1,900 million. At 31 December 2021, the Group had 10 commission rate swap agreements in place with a total notional amount of SAR 1 billion.

The swaps result in the Group receiving floating Saudi Arabian Interbank Offered Rate (SAIBOR) 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.

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 application of hedge accounting effectively results in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory and PPE at the fixed foreign currency rate for the hedged purchases.

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 instruments	
	Current SAR '000	Non-Current SAR '000	Assets SAR '000	Liabilities SAR '000
31 December 2022				
Forward currency contracts	697,233	4,011,142	6,966	28,767
Interest rate swaps	-	1,900,000	28,699	1,250
Commodity Derivatives	455,024	-	47,675	4,373
	1,152,257	5,911,142	83,340	34,390
	Current SAR '000	Non-Current SAR '000	Assets SAR '000	Liabilities SAR '000
31 December 2021				
Forward currency contracts	1,885,704	1,917,077	683	56,391
Interest rate swaps	-	1,000,000	2,011	244
Commodity Derivatives	184,889	-	10,914	-
	2,070,593	2,917,077	13,608	56,635

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38. FINANCIAL INSTRUMENTS

38.1. 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.

	Carrying amount			Fair Value			
	Hedging Instruments	FVOCI	Total	Level 1	Level 2	Level 3	Total
31 December 2022	SAR '000						
Financial Assets							
Derivative Financial Instruments	83,340	-	83,340	-	83,340	-	83,340
Equity Investment	-	15,607	15,607	15,607	-	-	15,607
Financial Liabilities							
Derivative Financial Instruments	34,390	-	34,390	-	34,390	-	34,390
31 December 2021							
Financial Assets							
Derivative Financial Instruments	13,608	-	13,608	-	13,608	-	13,608
Equity Investment	-	46,894	46,894	46,894	-	-	46,894
Financial Liabilities							
Derivative Financial Instruments	56,635	-	56,635	-	56,635	-	56,635

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.

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38. FINANCIAL INSTRUMENTS (Continued...)

38.2. 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.

The Group's risk management is predominantly centralized under policies approved by the Board of Directors. The Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board approves the overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

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.

	31 December 2022	31 December 2021
	SAR '000	SAR '000
Cash at Bank (Refer note 16)	480,397	537,108
Trade Receivables - Third Parties	1,317,095	1,188,179
Trade Receivables - Related Parties (Refer note 36)	233,775	230,823
Derivative Financial Instruments (Refer note 37)	83,340	13,608
Other Receivables (Refer note 15)	116,043	63,352
	2,230,650	2,033,070

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 59% (2021: 59.6%) in KSA, 29% (2021: 27.6%) in GCC (other than KSA) and 12% (2021: 12.8%) in other Countries. The five largest customers account approximately for 33% of outstanding trade receivables at 31 December 2022 (2021: 32%).

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.

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38. FINANCIAL INSTRUMENTS (Continued...)

38.2. Risk Management of Financial Instruments (Continued...)

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.

	31 December 2022			
	Carrying Amount	On Demand or		More than 5 years
		Less than 1 year	1 year to 5 years	
Non Derivative Financial Liabilities SAR '000.....			
Bank Overdrafts	87,130	96,276	-	-
Loans and Borrowings	9,514,033	1,163,784	7,023,261	1,690,892
Trade and other payables	3,647,686	3,647,686	-	-
Trade Payables to Related Parties	7,867	7,867	-	-
Lease Liabilities	466,830	87,986	205,908	290,566
	13,723,546	5,003,599	7,229,169	1,981,458
Derivative Financial Liabilities				
Forward currency contracts	28,767	10,589	22,938	-
Interest rate swaps	1,250	-	1,512	-
Commodity Derivatives	4,373	4,578	-	-
	34,390	15,167	24,450	-
	31 December 2021			
	Carrying Amount	On Demand or		More than 5 years
		Less than 1 year	1 year to 5 years	
Non Derivative Financial Liabilities SAR '000.....			
Bank Overdrafts	78,395	87,541	-	-
Loans and Borrowings	9,703,838	2,730,293	6,029,732	1,307,717
Trade and other payables	3,333,914	3,333,914	-	-
Trade Payables to Related Parties	5,582	5,582	-	-
Lease Liabilities	441,144	91,067	195,168	304,338
	13,562,873	6,248,397	6,224,900	1,612,055
Derivative Financial Liabilities				
Forward currency contracts	56,391	48,524	12,348	-
Interest rate swaps	244	255	-	-
	56,635	48,779	12,348	-

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.

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38. FINANCIAL INSTRUMENTS (Continued...)

38.2. Risk Management of Financial Instruments (Continued...)

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 (Murabaha) and other banking facilities of non-GCC subsidiaries and Sukuk amounting to SAR 4,312.8 million at 31 December 2022 (2021: SAR 5,069.5 million) bear variable financing commission charges at the prevailing market rates.

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 rate. Currently, 55% of the total outstanding borrowings at 31 December 2022 are at fixed commission rate. Further variable borrowing carry commission rate at prevailing market rates indexed to SAIBOR:

The swap contracts require settlement of net interest receivable or payable every 90 or 180 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

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
31 December 2022	SAR	+100	43,128
	SAR	-100	(43,128)
31 December 2021	SAR	+100	50,695
	SAR	-100	(50,695)

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 30.0 million. There is no direct impact on the Group's equity.

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38. FINANCIAL INSTRUMENTS (Continued...)

38.2. Risk Management of Financial Instruments (Continued...)

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 Kuwaiti Dinar ("KWD"), Egyptian Pounds ("EGP"), Euro ("EUR"), Great British Pounds ("GBP"), United State Dollars ("USD"), Bahraini Dinar ("BHD"), Arab Emirates Dirham ("AED"), Omani Riyal ("OMR") and Jordanian Dinars ("JOD"). The Group is not exposed to foreign currency fluctuation risk arising from the BHD, AED, OMR and JOD as these are pegged to USD. The fluctuation in exchange rates against 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:

	KWD	EGP	EUR	GBP	Total
	SAR	SAR	SAR	SAR	SAR
	'000	'000	'000	'000	'000
31 December 2022					
Cash at Bank	18,707	19,658	2,168	10,620	51,153
Cash in Hand	6,732	247	14	-	6,993
Trade Receivables	119,890	19,011	-	-	138,901
Bank Overdrafts	-	(26,954)	-	-	(26,954)
Short term Borrowings	-	(23,674)	-	-	(23,674)
Long Term Borrowings	-	(122,277)	-	-	(122,277)
Trade Payables	(1,632)	(58,769)	(309,683)	(4,501)	(374,585)
Net Statement of Financial Position exposure	143,697	(192,758)	(307,501)	6,119	(350,443)

*Also refer to the note 19.1 relating to the devaluation of EGP against SAR

	KWD	EGP	EUR	GBP	Total
	SAR	SAR	SAR	SAR	SAR
	'000	'000	'000	'000	'000
31 December 2021					
Cash at Bank	26,092	60,927	10,227	2,286	99,532
Cash in Hand	560	54	70	38	722
Trade Receivables	103,805	19,659	-	-	123,464
Bank Overdrafts	-	(14,256)	-	-	(14,256)
Short term Borrowings	-	(69,029)	-	-	(69,029)
Long Term Borrowings	-	(215,680)	(159,020)	-	(374,700)
Trade Payables	(3,267)	(110,975)	(146,589)	(6,333)	(267,164)
Net Statement of Financial Position exposure	127,190	(329,300)	(295,312)	(4,009)	(501,431)

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38. FINANCIAL INSTRUMENTS (Continued...)

38.2. Risk Management of Financial Instruments (Continued...)

Currency Risk (Continued...):

The Group uses forward currency contracts to eliminate volatility in currency exposures. Management believes that the currency risk for forecast payments and capital expenditure is adequately managed primarily through entering into foreign currency forward purchase agreements. The Group treasury's risk management policy is to hedge between 65% to 90% of forecast non-pegged USD cash flows for accounts payable and capital expenditure purchases up to one year in advance, subject to a review of the cost of implementing each hedge. For the year ended 31 December 2022, approximately 90% of forecast payments and capital expenditures were hedged in respect of foreign currency risk. The hedge of forecast payments and capital expenditures qualified as 'highly probable' qualified forecast transactions for hedge accounting purposes. The forward purchase agreements are secured by promissory notes given by the Group. The sensitivity of the currency to reasonably possible changes in rates by 5% would have increased / (decreased) profit by SAR 23 million

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

	31 December 2022	31 December 2021
	SAR '000	SAR '000
KWD	14,370	12,719
EGP	(19,276)	(32,930)
EUR	(30,750)	(29,531)
GBP	612	(401)
	(35,044)	(50,143)

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.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by adjusted equity. The Group's gearing ratios at the year end of the reporting year were as follows:

	2022	2021
	SAR '000	SAR '000
Total Loans and Borrowings*	9,601,163	9,782,233
Cash and Cash Equivalents	(546,916)	(580,913)
Net debt	9,054,247	9,201,320
Adjusted Equity	15,837,264	15,489,308
Gearing Ratio	57.2%	59.4%

*This includes bank overdrafts.

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39. DIVIDEND APPROVED AND PAID

On 11 Ramadan 1443 A.H. (12 April 2022) the shareholders in their Extraordinary General Assembly Meeting approved dividends of SAR 1 billion (SAR 1 per share) for the year ended 31 December 2021 out of which SAR 979.6 million was paid on 19 Ramadan 1443 A.H. (20 April 2022). No dividend was paid relating to treasury shares amounted to SAR 18.2 million.

40. DIVIDEND PROPOSED

The Board of Directors have proposed, for shareholders' approval at the General Assembly Meeting, a dividend of SAR 1.0 billion (SAR 1 per share) for the year ended 31 December 2022.

41. 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.

42. BOARD OF DIRECTORS APPROVAL

These Consolidated Financial Statements were approved by the Board of Directors on 29 Jumada Al-Thani 1444 A.H. (22 January 2023).