



**THE NATIONAL AGRICULTURAL DEVELOPMENT  
COMPANY (NADEC)  
(A SAUDI JOINT STOCK COMPANY)**

**CONDENSED INTERIM FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REVIEW REPORT  
FOR THE THREE MONTH AND NINE MONTH PERIODS  
ENDED  
30 SEPTEMBER 2019**

**THE NATIONAL AGRICULTURAL DEVELOPMENT COMPANY (NADEC)**  
**(A SAUDI JOINT STOCK COMPANY)**

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# Independent auditor's report on review of condensed interim financial statements

To the Shareholders of National Agricultural Development Company

## Introduction

We have reviewed the accompanying 30 September 2019 condensed interim financial statements of **National Agricultural Development Company – A Saudi Joint Stock Company** ("the Company") which comprises:

- the condensed statement of financial position as at 30 September 2019;
- the condensed statement of profit or loss for the three-month period and nine-month periods ended 30 September 2019;
- the condensed statement of comprehensive income for the three-month period and nine-month periods ended 30 September 2019;
- the condensed statement of changes in shareholders' equity for the nine-month period ended 30 September 2019;
- the condensed statement of cash flows for the nine-month period ended 30 September 2019; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



# Independent auditor's report on review of condensed interim financial statements

To the Shareholders of National Agricultural Development Company (continued)

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2019 condensed interim financial statements of **National Agricultural Development Company** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Partners**  
**Certified Public Accountants**

**Dr. Abdullah Hamad Al Fozan**  
License No.: 348

Riyadh on: 28 Safar 1441H  
Corresponding to: 27 October 2019





	Note	30-Sep-19 SAR (Unaudited)	31-Dec-18 SAR (Audited)
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	11	2,095,466,889	2,142,232,958
Right of Use Assets	4	69,181,625	-
Capital Work in Progress		165,995,702	194,810,072
Biological Assets		548,694,297	514,294,402
Intangible Assets		7,290,803	8,003,696
Equity Investment at FVOCI	12	8,249,000	8,249,000
Prepayments		-	2,404,286
Derivative financial instruments	10	520,346	-
<b>Total Non-Current Assets</b>		<b>2,895,398,662</b>	<b>2,869,994,414</b>
<b>Current Assets</b>			
Biological Assets		46,371,095	42,083,210
Inventory		506,132,594	558,116,967
Biological Assets - Available for Sale		21,555,790	22,026,090
Trade Receivables, Prepayments and Other Receivables		520,492,126	435,093,240
Cash and Bank Balances		95,819,821	35,219,477
<b>Total Current Assets</b>		<b>1,190,371,426</b>	<b>1,092,538,984</b>
<b>Total Assets</b>		<b>4,085,770,088</b>	<b>3,962,533,398</b>
<b>Shareholders' Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
Share Capital	7	847,000,000	847,000,000
Statutory Reserve		180,673,185	180,673,185
Other Reserve		19,113,701	19,113,701
Retained Earnings		452,178,416	399,466,374
<b>Total Shareholders' Equity</b>		<b>1,498,965,302</b>	<b>1,446,253,260</b>
<b>Non-Current Liabilities</b>			
Murabaha Loans and Borrowings	8	1,121,960,685	658,517,932
Lease Liabilities	4	44,941,694	-
Deferred Income		6,321,067	6,726,369
Employee Benefits Obligation		169,507,890	164,818,261
<b>Total Non-Current Liabilities</b>		<b>1,342,731,336</b>	<b>830,062,562</b>
<b>Current Liabilities</b>			
Trade and Other Payables		540,933,426	442,393,892
Lease Liabilities	4	30,787,325	-
Murabaha Loans and Borrowings	8	311,270,597	754,892,275
Murabaha Loans and Borrowings - Current Portion	8	299,748,842	420,990,497
Dividend Payables		33,410,642	33,618,115
Provision for Zakat		27,922,618	34,322,797
<b>Total Current Liabilities</b>		<b>1,244,073,450</b>	<b>1,686,217,576</b>
<b>Total Liabilities</b>		<b>2,586,804,786</b>	<b>2,516,280,138</b>
<b>Total Shareholders' Equity and Liabilities</b>		<b>4,085,770,088</b>	<b>3,962,533,398</b>

The accompanying notes 1 to 13 are an integral part of these Condensed Interim Financial Statements  
The Condensed Interim Financial Statements appearing on pages 3 to 16 were approved by the Board of Directors and  
were signed on its behalf by

Syed Mohammad Naseer Ali  
Chief Financial Officer

Eng. Abdulaziz Bin Mohamed Al Babbain  
Chief Executive Officer

Raed Abdullah Ismail Ismail  
Board Member

*Naseer*

*[Signature]*

*[Signature]*



		Three month period ended 30-Sep-19	Three month period ended 30-Sep-18	Nine month period ended 30-Sep-19	Nine month period ended 30-Sep-18
	Note	SAR (Unaudited)	SAR (Unaudited)	SAR (Unaudited)	SAR (Unaudited)
Revenue	9	578,446,958	574,704,921	1,713,106,012	1,608,505,184
Cost of Sales		(360,137,665)	(353,441,732)	(1,063,949,492)	(1,012,322,896)
<b>Gross Profit</b>		<b>218,309,293</b>	<b>221,263,189</b>	<b>649,156,520</b>	<b>596,182,288</b>
Selling and Marketing Expenses		(128,161,342)	(137,698,559)	(404,071,089)	(393,030,960)
General and Administrative Expenses		(27,637,828)	(24,580,127)	(86,216,430)	(85,223,276)
Impairment Losses on Trade Receivables		(2,716,286)	(3,178,756)	(8,442,620)	(5,227,339)
Other Income & (Expenses) - net		7,673,763	(1,317,044)	6,767,150	(8,275,366)
<b>Total Expenses</b>		<b>(150,841,693)</b>	<b>(166,774,486)</b>	<b>(491,962,989)</b>	<b>(491,756,941)</b>
<b>Operating Profit</b>		<b>67,467,600</b>	<b>54,488,703</b>	<b>157,193,531</b>	<b>104,425,347</b>
Realized gain/(loss) on Derivatives financial instruments	10	2,004,832	-	(43,649,097)	-
Net unrealized gain on Derivatives financial instruments	10	342,369	-	520,346	-
Finance cost		(19,276,144)	(17,863,946)	(57,648,254)	(50,659,585)
<b>Profit before Zakat</b>		<b>50,538,657</b>	<b>36,624,757</b>	<b>56,416,526</b>	<b>53,765,762</b>
Zakat		(1,220,085)	(1,490,467)	(3,704,484)	(4,142,467)
<b>Profit for the period</b>		<b>49,318,572</b>	<b>35,134,290</b>	<b>52,712,042</b>	<b>49,623,295</b>
<b>Earnings per share based on the profit for the period attributable to ordinary shareholders</b>					
Basic and Diluted	6	0.58	0.41	0.62	0.59

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Chief Financial Officer

*Naseer*

Eng. Abdulaziz Bin Mohamed Al Babbain  
Chief Executive Officer

*Abdulaziz Bin Mohamed Al Babbain*

Raed Abdullah Ismail Ismail  
Board Member

*Raed Abdullah Ismail Ismail*



	Three month period ended 30-Sep-2019 SAR (Unaudited)	Three month period ended 30-Sep-2018 SAR (Unaudited)	Nine month period ended 30-Sep-2019 SAR (Unaudited)	Nine month period ended 30-Sep-2018 SAR (Unaudited)
<b>Profit for the period</b>	<b>49,318,572</b>	35,134,290	<b>52,712,042</b>	49,623,295
<b>Items that will not be reclassified to Profit or Loss</b>				
Re-measurement gain in Defined Benefit Plans	-	-	-	-
Movement in Equity Investment at Fair Value through Other Comprehensive Income (FVOCI)	-	-	-	-
<b>Total Items that will not be reclassified to Profit or Loss</b>	-	-	-	-
<b>Total other comprehensive income</b>	-	-	-	-
<b>Total Comprehensive Income for the period</b>	<b>49,318,572</b>	<b>35,134,290</b>	<b>52,712,042</b>	49,623,295

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Chief Financial Officer

*Naseer*

Eng. Abdulaziz Bin Mohamed Al Babbain  
Chief Executive Officer

*Abdulaziz*

Raed Abdullah Ismail Ismail  
Board Member

*Raed*

Condensed Statement of Changes in Shareholders' Equity for the nine month period ended 30 September 2019

	Share Capital	Statutory Reserve	Other Reserves	Retained Earnings	Total Shareholders' Equity
	SAR				
Balance as at 1 January 2019 (Audited)	847,000,000	180,673,185	19,113,701	399,466,374	1,446,253,260
Profit for the period	-	-	-	52,712,042	52,712,042
Other Comprehensive Income for the period	-	-	-	-	-
Total Comprehensive Income for the period	-	-	-	52,712,042	52,712,042
Balance as at 30 September 2019 (Unaudited)	847,000,000	180,673,185	19,113,701	452,178,416	1,498,965,302
Balance as at 1 January 2018 (Audited)	847,000,000	180,499,041	(80,787)	397,899,078	1,425,317,332
Profit for the period	-	-	-	49,623,295	49,623,295
Other Comprehensive Income for the period	-	-	-	-	-
Total Comprehensive Income for the period	-	-	-	49,623,295	49,623,295
Balance as at 30 September 2018 (Unaudited)	847,000,000	180,499,041	(80,787)	447,522,373	1,474,940,627

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Syed Mohammad Naseer Ali  
Chief Financial Officer



Eng. Abdulaziz Bin Mohamed Al Babbain  
Chief Executive Officer

Raed Abdullah Ismail Ismail  
Board Member

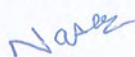




	Nine-month period ended 30-Sep-2019 SAR (Unaudited)	Nine-month period ended 30-Sep-2018 SAR (Un-Audited)
<b>Cash flows from Operating Activities</b>		
<b>Profit for the period</b>	<b>52,712,042</b>	49,623,295
<b>Adjustments for</b>		
Depreciation - Property Plant and Equipment and Biological Assets	178,034,429	205,829,804
Depreciation - Right of Use Assets	23,362,794	-
Amortization	2,284,060	1,869,969
Zakat	3,704,484	4,142,467
Deferred income	(405,302)	(894,027)
Employee Benefits Obligations	16,218,340	17,331,087
Impairment Losses on Trade Receivables	8,442,620	5,227,338
Inventory Provision movement, net	4,100,000	4,640,245
Unrealized gain on Derivatives financial instruments	(520,346)	-
Finance Cost	57,648,254	50,659,585
Loss on sale of Property Plant and Equipment and Biological Assets	2,765,447	22,454,849
	<b>348,346,822</b>	360,884,612
<b>Changes in</b>		
Inventory and Biological Assets - Available for Sale	48,354,673	(41,048,349)
Biological Assets	(4,287,885)	(6,077,945)
Trade Receivables, Prepayments and Other Receivables	(91,437,220)	(188,409,257)
Trade and Other Payables	98,539,534	216,358,702
	<b>399,515,924</b>	341,707,763
Zakat Paid	(10,104,663)	(164,467)
Employee Benefits Paid	(11,528,711)	(18,150,558)
<b>Net Cash Generated from Operating Activities</b>	<b>377,882,550</b>	323,392,738
<b>Cash flows from Investing Activities</b>		
Acquisition of Property, Plant and Equipment, Intangible Assets and Biological Assets	(203,963,234)	(164,237,935)
Proceeds from sales of Property, Plant and Equipment and Biological Assets	45,957,334	33,903,326
<b>Net Cash Used in Investing Activities</b>	<b>(158,005,900)</b>	(130,334,609)
<b>Cash flows from Financing Activities</b>		
Proceeds from Murabaha Loans and Borrowings	486,332,054	130,556,110
Repayment of Murabaha Loans and Borrowings	(594,615,009)	(224,619,050)
Finance Cost Paid	(50,785,878)	(56,046,961)
Dividend Paid	(207,473)	(188,467)
<b>Net Cash Used in Financing Activities</b>	<b>(159,276,306)</b>	(150,298,368)
<b>Net Change in Cash and Cash Equivalents</b>	<b>60,600,344</b>	42,759,761
Cash and Cash Equivalents at beginning of the period	35,219,477	40,719,547
<b>Cash and Cash Equivalents at end of the period</b>	<b>95,819,821</b>	83,479,308

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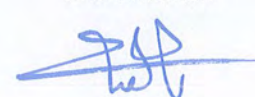
Syed Mohammad Naseer Ali  
Chief Financial Officer



Eng. Abdulaziz Bin Mohamed Al Babbain  
Chief Executive Officer



Raed Abdullah Ismail Ismail  
Board Member





## 1- The Company Information

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

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

The Company's financial year begins on January 1 and ends at the end of December of the same year.

The Company's registered office is located at the following address:

Riyadh - Kingdom of Saudi Arabia

P.O. Box 2557 Riyadh 11461

## 2- Basis of Preparation

### 2.1 Statement of Compliance

These Condensed Interim Financial Statements of the Company have been prepared in accordance with the requirements of the International Accounting Standard- IAS 34 - "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

These Condensed Interim Financial Statements should be read in conjunction with the Financial Statements of the Company for the year ended 31 December 2018 (last annual financial statements). They do not include all the information required to present a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the KSA. However, accounting policies and specific explanatory notes have been included to interpret significant events and transactions in order to understand the changes in the financial position and financial performance of the Company, since the last annual financial statements.

In this set of Condensed Interim Financial Statements, IFRS 16 "Leases" has been applied. Changes to significant accounting policies are described in Note 4.1.1.

### 2.2 Basis of Measurement

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

- Equity Investment at FVOCI is valued at fair value in accordance with the requirements of IFRS 13 using level 2 valuation method".
- Biological Assets for which market is available or can be measured reliably are valued at Fair value, where fair value is not available or cannot be measured reliably, these assets are measured at cost.
- Derivative financial instruments are measured at Fair Value through Profit or Loss.
- Employee defined benefit obligations are recognised at the present value of future obligations in accordance with the benefit plan.

### 2.3 Functional and Presentation Currency

These Condensed Interim Financial Statements have been presented in Saudi Riyal ("SAR") which is also the functional currency of the Company, unless stated otherwise.

### 3- Significant Accounting Estimates, Judgements and Assumptions

The preparation of the Company's Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of Revenues, Expenses, Assets and Liabilities, and the accompanying Disclosures, and the disclosure of Contingent Liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation, uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years, are detailed below. The Company based its assumptions and estimates on parameters available when the Financial Statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The significant judgments made by management in applying the Company's accounting policies are consistent with those disclosed in the last annual financial statements, except for significant new judgments and key sources of estimates associated with the application of IFRS 16 "leases", which are disclosed in Note 4.1.1

### 4- Significant Accounting Policies

#### 4.1 Changes in Accounting Policies

The changes in the significant accounting policies of the Company that are applied to these Condensed Interim Financial Statements are presented below. Other than these, the accounting policies applied in these Condensed Interim Financial Statements are the same as those applied to the annual financial statements for the year ended 31 December 2018.

The Company has applied the International Financial Reporting Standard – IFRS 16 "Leases" as described in paragraph 4.1.1 below. The Company has not restated comparatives benefiting from the exemption from retrospective application of the standard and accordingly the comparatives have been presented using the previously applicable accounting policies as explained in the note 4.1.1 below.

#### 4.1.1 International Financial Reporting Standard – IFRS 16 "Leases".

IFRS 16 "Leases" introduces a single accounting model for on-balance sheet leases for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of transactions involving the legal form of a lease'.

The Company has adopted IFRS 16 using the modified retrospective method with the initial application date on 1 January 2019.

The Company elected to use the practical expedient available when it moves to IFRS 16 for not reassessing whether the contract contains a lease or not, applying the standard only on the contracts previously designated as leases in accordance with International Accounting Standard (IAS 17) and (IFRIC 4) on the date of initial application. In applying IFRS 16, the Company has also adopted the following practical expedient for leases previously classified as operating leases under IAS 17:

- A) The application of a single discount rate to the group of leases with reasonably similar characteristics.
- B) Application of the exemption of non-recognition of assets and liabilities for the right to use, which expire in 2019.
- C) Excludes the initial direct costs from measuring the right of use asset at the date of initial application.

The Company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').



#### 4. Significant Accounting Policies – (Continued)

##### 4.1 Changes in Accounting Policies (Continued)

##### 4.1.2 Impact on adoption of IFRS 16 ‘Leases’

##### a) Prior to adoption of IFRS 16

The Company has lease contracts for various items of buildings, trucks and other transportation vehicles. Before the adoption of IFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease based on the substance of the arrangement at the inception date.

A lease was classified as a finance lease that transfers to the Company substantially, all of the risks and benefits incidental to ownership of the leased item, which are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability to achieve a constant rate of interest on the remaining balance of the liability.

##### b) After adoption of IFRS 16

Upon adoption of IFRS 16, the Company applied a single recognition and measurement approach for all leases where the Company is the lessee, except for short-term leases and leases of low value assets. The Company recognised lease liabilities to make lease payments and right-of use assets representing the right to use the underlying assets. In accordance with the modified retrospective method of adoption, the Company applied IFRS 16 at the date of initial application. Under modified retrospective approach right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. Accordingly, the comparative information is not restated.

The change in accounting policy due to the implementation of IFRS 16 affected the following items:

##### B-1) Impact on the statement of financial position as at January 2019

	As previously reported SAR	Effect of IFRS 16 SAR	Restated SAR
<b>Assets</b>			
Right of Use Asset	-	91,592,246	91,592,246
Prepayments	4,038,881	(4,038,881)	-
<b>Total assets</b>	<b>4,038,881</b>	<b>87,553,365</b>	<b>91,592,246</b>
<b>Liabilities</b>			
Lease liabilities	-	87,553,365	87,553,365
<b>Total liabilities</b>	<b>-</b>	<b>87,553,365</b>	<b>87,553,365</b>

##### B-2) Reconciliation of lease liabilities pursuant to IFRS 16:

<b>Minimum lease payments under operating leases as at 31 December 2018</b>	<b>113,542,282</b>
<b>Recognition Exemption</b>	
- For short- term lease	(20,622,733)
- For lease of low value assets	-
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(7,980,142)
Liabilities additionally recognised based on the initial application of IFRS 16 as of January 1, 2019	2,613,958
Lease Liabilities as at 1 January 2019	<b>87,553,365</b>

#### **4. Significant Accounting Policies – (Continued)**

##### **4.1 Changes in Accounting Policies (Continued)**

##### **b) After adoption of IFRS 16 (Continued)**

#### **Below are the new accounting policies of the Company after adoption of IFRS 16**

##### **Leases:**

The Company assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Company recognise right of use assets and lease liabilities except for the short-term leases and leases of low value assets as follows:

##### **Right of use assets:**

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

##### **Lease liabilities:**

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance of fixed lease payments or a change in the assessment to purchase the underlying asset.

##### **Short-term leases:**

The Company applies the short-term lease recognition exemption to its short-term leases of vehicles (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

##### **Significant judgement in determining the lease term of contracts with renewal options**

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

## 5. Segment Reporting

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

The following is a summary of the business segments as at 30 September 2019:

	Dairy and Food	Agriculture	Elimination of Inter-Segment Sales	Total
	SAR	SAR	SAR	SAR
<b>Revenue</b>				
External Revenue	1,592,171,207	120,934,805	-	1,713,106,012
Inter-Segment Revenue	12,025,800	44,972,859	(56,998,659)	-
<b>Total Revenue</b>	<b>1,604,197,007</b>	<b>165,907,664</b>	<b>(56,998,659)</b>	<b>1,713,106,012</b>
<b>Expenses</b>				
Depreciation and Amortization	(178,000,045)	(25,681,238)	-	(203,681,283)
<b>Operating Profit</b>	<b>149,332,756</b>	<b>7,860,775</b>	-	<b>157,193,531</b>
Finance Cost	(54,632,229)	(3,016,025)	-	(57,648,254)
Realized loss on Derivatives financial instruments	(39,973,384)	(3,675,713)	-	(43,649,097)
Unrealized gain on Derivatives financial instruments	476,527	43,819	-	520,346
<b>Profit before Zakat</b>	<b>55,203,670</b>	<b>1,212,856</b>	-	<b>56,416,526</b>
Zakat	(3,600,000)	(104,484)	-	(3,704,484)
<b>Profit for the period</b>	<b>51,603,670</b>	<b>1,108,372</b>	-	<b>52,712,042</b>
<b>Total Assets</b>	<b>3,310,422,054</b>	<b>775,348,034</b>	-	<b>4,085,770,088</b>

The following is a summary of the business segments as at 30 September 2018:

	Dairy and Food	Agriculture	Elimination of Inter-Segment Sales	Total
	SAR	SAR	SAR	SAR
<b>Revenue</b>				
External Revenue	1,413,786,079	194,719,105	-	1,608,505,184
Inter-Segment Revenue	12,732,800	182,344,411	(195,077,211)	-
<b>Total Revenue</b>	<b>1,426,518,879</b>	<b>377,063,516</b>	<b>(195,077,211)</b>	<b>1,608,505,184</b>
<b>Expenses</b>				
Depreciation and Amortization	(153,664,336)	(54,035,437)	-	(207,699,773)
<b>Operating Profit</b>	<b>81,335,104</b>	<b>23,090,243</b>	-	<b>104,425,347</b>
Finance Cost	(38,855,733)	(11,803,852)	-	(50,659,585)
<b>Profit before Zakat</b>	<b>42,479,371</b>	<b>11,286,391</b>	-	<b>53,765,762</b>
Zakat	(3,978,000)	(164,467)	-	(4,142,467)
<b>Profit for the period</b>	<b>38,501,371</b>	<b>11,121,924</b>	-	<b>49,623,295</b>
<b>Total Assets</b>	<b>3,359,832,800</b>	<b>902,923,865</b>	-	<b>4,262,756,665</b>



## 6. Earnings per Share

	Three month period ended 30-Sep-2019 SAR (Unaudited)	Three month period ended 30-Sep-2018 SAR (Unaudited)	Nine month period ended 30-Sep-2019 SAR (Unaudited)	Nine month period ended 30-Sep-2018 SAR (Unaudited)
Profit attributable to Shareholders	49,318,572	35,134,290	52,712,042	49,623,295
Weighted Average Number of Ordinary Shares	84,700,000	84,700,000	84,700,000	84,700,000
EPS (SAR/Share)	0.58	0.41	0.62	0.59

Basic earnings per share has been calculated by dividing profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

## 7. Share Capital

	30-Sep-19 SAR (Unaudited)	31-Dec-18 SAR (Audited)
Ordinary Shares issued and fully paid	84,700,000	84,700,000

The Company's Share Capital as at 30 September 2019 amounted to SAR 847 million (31 December 2018: SAR 847 million).

## 8. Murabaha Loans and Borrowings

	Loan Currency	Interest rate	Due date	30-Sep-19 (Unaudited)		31-Dec-18 (Audited)	
				Nominal Value	Book value	Nominal Value	Book value
				SAR 'M	SAR 'M	SAR 'M	SAR 'M
Islamic Banking Facilities (8.1)	SAR	SIBOR+ Bank Margin	2019-2027	1,709	1,726	1,816	1,826
Agricultural Development Fund (8.2)	SAR	-	2019-2027	7	7	8	8
				1,716	1,733	1,824	1,834

The weighted average margin on bank loans during the nine-months period ended 30 September 2019 was 4.28% per annum basis (Nine-months period ended 30 September 2018: 3.44% per annum). However, the rates varied between medium and short-term loans. The loans have been provided against promissory notes.

Murabaha loans and Borrowings are presented in the Condensed Statement of Financial Position as follows:

	30-Sep-19 SAR 'M (Unaudited)	31-Dec-18 SAR 'M (Audited)
<b>Non-Current Liabilities</b>		
Loans secured by guarantees	6	7
Loans secured by promissory notes	1,116	651
	1,122	658
<b>Current Liabilities</b>		
Loans secured by guarantees	1	1
Loans secured by promissory notes	610	1,175
	611	1,176



## 8. Murabaha Loans and Borrowings (Continued)

### 8.1 Islamic Banking Facilities (Murabaha) from Local Banks

The borrowing under Islamic banking facilities (Murabaha) have been provided against a promissory note issued by the Company. The maturity dates of these facilities are in accordance with the maturities of facilities given by each bank and are mostly of a revolving nature. The amount of unused facilities as at 30 September 2019 is SAR 1,075 million (31 December 2018: SAR 2,010 million).

### 8.2 Agricultural Development Fund Loan

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

The Company was granted another loan on 1 Dhul Qa'da 1433H (corresponding to 17 September 2012) with a total value of SAR 1.6 million under Loan number 803805048. This loan is secured by mortgage on cars, machines and equipment owned by the Company. This loan is payable on annual installments basis started from 1 Dhul al-Qa'da 1436H (corresponding to 15 August 2015) and ending on 1 Dhul al-Qa'da 1445 AH (corresponding to 8 May 2024). This loan was fully utilized in Olive and Sesame project. The outstanding balance of these loans from Agricultural Development Fund on 30 September 2019 is SAR 7.4 million (31 December 2018: SAR 8.4 million).

## 9. Revenue

	30-Sep-19 SAR (Unaudited)	30-Sep-18 SAR (Unaudited)
Saudi Arabia	1,494,648,991	1,392,102,719
Other Countries	218,457,021	216,402,465
	<u>1,713,106,012</u>	<u>1,608,505,184</u>

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

## 10. Derivatives financial instruments

The Company entered into following derivative contracts to reduce its borrowing costs and potential losses from the fluctuation in the foreign currency exchange rates under certain future economic conditions.

- Two Callable Inverse Floater (CIF) contracts with a nominal value of USD 100 million each for a period of five years.
- Two Cross-Currency Swap contracts hedge the USD exposure against SAR and AED with a nominal value of USD 100 million and USD 96 million respectively. The SAR Cross Currency Swap is for a tenure of five years while the AED Cross Currency Swap is for a tenure of two years.

Out of the above contracts, three contracts were terminated during the period and only AED cross currency swap contracts remained outstanding.

These products are structured under the economic conditions that were available at the time of the contract signed to reduce the borrowing cost and reduce the foreign exchange differences.

### 10.1 Realized loss on derivative financial instruments

During the period ended 30 September 2019, the Company assessed the expected future interest rate movement, and accordingly, decided to terminate the CIF contracts and recognised the loss on the termination of the same, which amounted to SAR 40.4 million in the Statement of Profit or Loss for the current period. Realised loss on derivative financial instrument also includes loss on SAR Cross currency swap contact amounted to SAR 3.2 million.





## **10. Derivative financial instruments (Continued)**

### **10.2 Unrealized gain on derivative financial instrument**

Unrealized gain on Cross-Currency Swap contracts represents the gain due to the changes in the fair value of these instruments at the reporting date. The unrealized gain on the AED Cross-Currency Swap contract amounted to SAR 0.52 million is recognized during the current period in the Statement of Profit or Loss.

## **11. Property, Plant and Equipment**

The carrying amount of Property, Plant and Equipment as at 30 September 2019 amounted to SR 2.10 billion (31 December 2018: SR 2.14 billion). During the period ended 30 September 2019, the Company added Property, Plant and Equipment amounting to SR 98.3 million.

### **11.1 Land:**

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

#### **Lands under Company's control but pending transfer of legal title**

The land include land granted by the State under the Royal Decree issued on 17 Shawwal 1410 A.H. with a carrying value of SAR 120.9 million as at 30 September 2019 (31 December 2018: SAR 120.9 million), all of which have been revived and used by the Company. As per the Royal Decree, the Company has an exemption from the granted land conditions such as the required planted area and the time frame required to revive the land. A request has been submitted for the transfer of ownership of these lands which has not yet been concluded by the Government.

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

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

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

#### **Land Occupied by Saudi Aramco**

NADEC has previously filed legal proceedings against Saudi ARAMCO in the General Court of Al-Khobar, demanding Saudi ARAMCO to free up certain land located within NADEC's project in Haradh. The Court of Cassation issued its final judgement on 16 Dhul-Qadah 1431H (corresponding to 24 October 2010G) endorsing the initial judgement issued by the General Court of Al-Khobar mandating ARAMCO to surrender such land. Following the issuance of the final judgement by the Court of Cassation, Saudi ARAMCO filed a complaint against NADEC before the Royal Court in this regard. A committee was formed by the Royal Court (pursuant to High Order No. 2554, dated 18 Muhurram 1435H) to investigate the complaint submitted by Saudi ARAMCO against NADEC and report its conclusions to the Royal Court. This matter has not been finally determined to this date.

## 12. Financial Instruments

Financial assets and liabilities are measured at amortized cost except for Equity Investments at Fair Value through Other Comprehensive Income (FVOCI) and derivative financial instruments which are measured at fair value through Profit or Loss. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under market conditions. In the absence of an active market, the asset or liability is measured in the most advantageous market for the asset or liability and relies on the perceptions of market participants to maximize the benefits of using the asset. The Company relied on valuation methods for Equity Investments at FVOCI based on the performance of similar financial assets in an active market considering the performance of the asset itself to maximize benefits from the asset.

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

	<b>30-Sep-19</b> <b>SAR'000</b> <b>(Unaudited)</b>	<b>31-Dec-18</b> <b>SAR'000</b> <b>(Audited)</b>	<b>FV level</b>
<b>Financial Assets at Fair Value</b>			
Equity Investment at FVOCI	8,249	8,249	Level 2
Derivative Financial Instruments	520	-	Level 2
<b>Total Financial Assets at Fair Value</b>	<b>8,769</b>	<b>8,249</b>	
<b>Financial Assets at Amortised Cost</b>			
Trade and Other Receivables	376,477	360,660	-
Cash and Bank Balances	95,820	35,219	-
<b>Total Financial Assets at Amortised Cost</b>	<b>472,297</b>	<b>395,879</b>	
<b>Total Financial Assets</b>	<b>481,066</b>	<b>404,128</b>	
<b>Financial Liabilities at Amortised Cost</b>			
Trade and Other Payables	540,933	442,394	-
Lease Liabilities	75,729	-	-
Loans	1,732,980	1,834,401	-
<b>Total Financial Liabilities at Amortised Cost</b>	<b>2,349,642</b>	<b>2,276,795</b>	
<b>Total Financial Liabilities</b>	<b>2,349,642</b>	<b>2,276,795</b>	

## 13. Approval by the Board of Directors

These Condensed Interim Financial Statements for the three month and nine month periods ended 30 September 2019 were approved by the Board of Directors on 27<sup>st</sup> Safar 1441 A.H. (corresponding to 26 October 2019).