

**SAUDI FISHERIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**Financial Statements**

**For the year ended 31 December 2022**

**Together with the Independent Auditor's Report**

**SAUDI FISHERIES COMPANY**  
**(A Saudi Joint Stock Company)**  
**For the year ended 31 December 2022**  
**Together with the Independent Auditor's Report**

---

<b><u>Table of Contents</u></b>	<b><u>Page</u></b>
Independent Auditor's Report Financial Statements	1-5
Statement of Financial Position	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10-55

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF SAUDI FISHERIES COMPANY

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

(1 /5)

#### QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Saudi Fisheries Company (the "Company") as at 31 December 2022, and its financial performance and its 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 Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the financial statements of the Company, which comprise of the following:

- The statement of financial position as at 31 December 2022;
- The statements of profit or loss and other comprehensive income for the year then ended;
- The statement of changes in equity for the year then ended;
- The statement of cash flows for the year then ended, and;
- The notes to the financial statements, including a summary of significant accounting policies.

#### BASIS FOR QUALIFIED OPINION

As disclosed within Note 11 of the accompanying financial statements, due to the unavailability of the mechanism to validate the quantities of the fish in the sea, we did not observe the physical counts for biological assets related to fish amounting to SAR 12.9 million as of 31 December 2022. Moreover, we were also unable to obtain sufficient and appropriate audit evidence by alternative means concerning the quantities held at 31 December 2022. As a result of this matter, we are unable to determine whether any impact is required to be recognized in the statement of financial position as at 31 December 2022 and in the statement of profit or loss and other comprehensive loss and statement of cash flows for the year ended 31 December 2022.

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent from the Company in accordance with the professional code of conduct and ethics as endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

We draw attention to Note 2.4 to the accompanying financial statements, which states that the Company reported a loss for the year ended 31 December 2022 amounting to SR 68.8 million (2021: SR 34.2 million) and its accumulated losses as of the same date amounts to SR 197.4 million (31 December 2021: SR 128.6 million) representing 49.4% (31 December 2021: 32.2%) of the share capital which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not qualified in respect of these matters.

**RIYADH**  
Tel. +966 11 206 5333 | P.O Box 69658  
Fax +966 11 206 5444 | Riyadh 11557

**JEDDAH**  
Tel. +966 12 652 5333 | P.O Box 15651  
Fax +966 12 652 2894 | Jeddah 21454

**AL KHOBAR**  
Tel. +966 13 893 3378 | P.O Box 4636  
Fax +966 13 893 3349 | Al Khobar 11557

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF SAUDI FISHERIES COMPANY

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

(2 /5)

#### OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Company but does not include the 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 financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

#### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key Audit Matter	How our audit addressed the key audit matter
<b>Biological assets – Fair value</b>	
<p>As at 31 December 2022, the Company has shrimps (biological assets) which are carried at fair value amount to SAR 3.02 million (2021: SAR 21.86 million)</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. For Shrimps, management has carried the same at fair value less cost to sell.</p> <p>We consider this as a key audit matter due to the significant judgments and key assumptions applied</p>	<p>We obtain the Company's methodology and calculation model for biological assets valuation (the "Model"). We engaged an auditor's expert and performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>■ Attended and observed the physical count to obtain the understanding of the count procedure and to validate the internal assumptions taken by the management to estimate the total quantities based on the sample counts.</li> <li>■ Obtained the valuation model and validate the inputs in the same specially</li> </ul>

**RIYADH**  
Tel. +966 11 206 5333 | P.O Box 69658  
Fax +966 11 206 5444 | Riyadh 11557

**JEDDAH**  
Tel. +966 12 652 5333 | P.O Box 15651  
Fax +966 12 652 2894 | Jeddah 21454

**AL KHOBAR**  
Tel. +966 13 893 3378 | P.O Box 4636  
Fax +966 13 893 3349 | Al Khobar 11557

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF SAUDI FISHERIES COMPANY

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

(3 /5)

<p>by the management in determining the fair value of the biological assets.</p> <p>Refer to Note 5 of the financial statements for accounting policy and Note 11 for the related disclosures in the accompanying financial statements.</p>	<p>Feed conversion ratio, correction factor, Biomass and Mortality assumptions.</p> <ul style="list-style-type: none"> <li>■ Validated the model assumptions used by the management and involved our expert for the same.</li> <li>■ Recalculated the accuracy of the model numbers.</li> <li>■ Ensured the adequacy of disclosures required by the IFRS.</li> </ul>
---	--

#### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company 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 Company's financial reporting process.

**RIYADH**  
Tel. +966 11 206 5333 | P.O Box 69658  
Fax +966 11 206 5444 | Riyadh 11557

**JEDDAH**  
Tel. +966 12 652 5333 | P.O Box 15651  
Fax +966 12 652 2894 | Jeddah 21454

**AL KHOBAR**  
Tel. +966 13 893 3378 | P.O Box 4636  
Fax +966 13 893 3349 | Al Khobar 11557

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF SAUDI FISHERIES COMPANY

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

(4 /5)

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF SAUDI FISHERIES COMPANY

#### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

(5 /5)

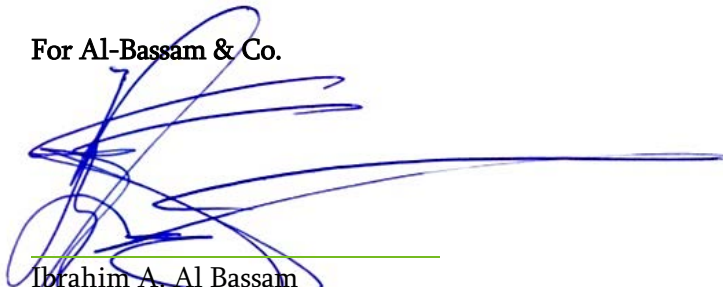
#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (continued)

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

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

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

For Al-Bassam & Co.

  
Ibrahim A. Al Bassam  
Certified Public Accountant  
License No. 337  
Riyadh: 14 Ramadan 1444H  
Corresponding to: 5 April 2023





**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF 31 DECEMBER 2022**  
**(In Saudi Riyals unless otherwise stated)**

		As at 31 December	
	Note	2022	2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant, and equipment	6	123,117,745	106,021,385
Capital work in progress	7	32,699,617	57,228,686
Investment properties	8	6,645,794	6,645,794
Right-of-use assets	9	15,647,412	7,171,453
Restricted cash deposit	15	20,126,667	-
<b>Total non-current assets</b>		<b>198,237,235</b>	<b>177,067,318</b>
<b>Current assets</b>			
Inventories	10	22,802,894	22,183,419
Biological assets	11	20,664,638	21,860,518
Trade receivables	12	3,414,657	5,051,454
Prepayments and other assets	13	8,585,885	14,683,409
Investments carried at FVTPL		33,545	33,545
Investments carried at amortized cost	14	44,383,323	95,084,892
Restricted cash deposit – current portion	15	11,099,000	-
Cash and bank balances	16	1,853,173	5,332,894
<b>Total current assets</b>		<b>112,837,115</b>	<b>164,230,131</b>
<b>TOTAL ASSETS</b>		<b>311,074,350</b>	<b>341,297,449</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	17	400,000,000	400,000,000
Accumulated losses		(197,419,153)	(128,627,297)
Actuarial Reserve		385,947	(103,627)
<b>TOTAL EQUITY</b>		<b>202,966,794</b>	<b>271,269,076</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long-term borrowings	19	21,885,840	3,304,320
Employees’ post-employment benefits	20	5,838,149	6,935,471
Lease liabilities	9	13,321,836	4,632,324
<b>Total non-current liabilities</b>		<b>41,045,825</b>	<b>14,872,115</b>
<b>Current liabilities</b>			
Long-term borrowings - current portion	19	2,331,570	1,418,480
Short-term borrowings	21	10,073,467	-
Trade and other payables	22	29,206,821	29,338,023
Shareholder’s compensation and subscription to priority right shares	23	13,414,275	13,424,457
Lease liabilities – current portion	9	4,176,491	3,403,280
Provision for zakat	25	7,859,107	7,572,018
<b>Total current liabilities</b>		<b>67,061,731</b>	<b>55,156,258</b>
<b>TOTAL LIABILITIES</b>		<b>108,107,556</b>	<b>70,028,373</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>311,074,350</b>	<b>341,297,449</b>
Contingencies and commitments	26		

The accompanying notes 1 to 40 form part of these financial statements.

DocuSigned by:

*Alwais*

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer



**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(In Saudi Riyals unless otherwise stated)**

	Note	2022	2021
Sales	27	48,815,516	47,586,410
Cost of sales	28	(67,877,162)	(42,819,741)
(Loss) / gain on fair valuation of biological assets	11	(3,592,002)	12,084,910
<b>Gross (loss) / profit</b>		<b>(22,653,648)</b>	<b>16,851,579</b>
Selling and distribution expenses	29	(22,186,059)	(24,667,010)
General and administrative expenses	30	(23,764,413)	(25,078,963)
Impairment of trade receivables	12	(1,324,561)	(724,015)
Other income, net	31	5,446,106	2,780,550
<b>Operating Loss</b>		<b>(64,482,575)</b>	<b>(30,837,859)</b>
Finance cost	32	(1,515,170)	(400,426)
<b>Net Loss before zakat</b>		<b>(65,997,745)</b>	<b>(31,238,285)</b>
Zakat	25	(2,794,111)	(2,946,539)
<b>Net Loss for the year</b>		<b>(68,791,856)</b>	<b>(34,184,824)</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified subsequently to the statement of profit or loss:</b>			
Actuarial gain on employees' post-employment benefits	20	489,574	58,442
<b>Total comprehensive loss</b>		<b>(68,302,282)</b>	<b>(34,126,382)</b>
<b>Basic and diluted loss per share for the year</b>	33	<b>(1.72)</b>	<b>(0.85)</b>

The accompanying notes 1 to 40 form part of these financial statements.

DocuSigned by:

ALWALIS

D34C92D1879C4D4...

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

	Note	Share capital	Accumulated losses	Actuarial reserve	Total
<b>Balance as at 1 January 2021</b>		400,000,000	(94,442,473)	(162,069)	305,395,458
Net loss for the year		-	(34,184,824)	-	(34,184,824)
Other comprehensive income	20	-	-	58,442	58,442
<b>Balance as at 31 December 2021</b>		<b>400,000,000</b>	<b>(128,627,297)</b>	<b>(103,627)</b>	<b>271,269,076</b>
Net loss for the year		-	(68,791,856)	-	(68,791,856)
Other comprehensive income	20	-	-	489,574	489,574
<b>Balance as at 31 December 2022</b>		<b>400,000,000</b>	<b>(197,419,153)</b>	<b>385,947</b>	<b>202,966,794</b>

The accompanying notes 1 to 40 form part of these financial statements.

DocuSigned by:

*alwais*

D34C92D1879C4D4...

Chairman of the Board of  
Directors

Chief Executive Officer

Chief Financial Officer

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

	Note	2022	2021
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net loss for the year before zakat		(65,997,745)	(31,238,285)
<b>Adjustments for non-cash items</b>			
Depreciation of property, plant and equipment	6	9,379,277	7,981,968
Loss / (gain) on fair valuation of biological assets	11	3,592,002	(12,084,910)
Depreciation of right-of- use assets	9	2,037,712	2,716,931
Impairment of biological assets - fish	11	1,968,150	-
Provision for employee's post-employment benefits	20	1,705,204	1,398,055
Finance cost	32	1,515,170	400,426
Write-down of inventories	10.1	1,389,717	-
Impairment of trade receivables	12	1,324,561	724,015
Impairment of prepayments and other assets		-	1,228,940
Income from investment carried at amortized cost	31	(1,300,561)	(1,064,538)
Impairment of capital work in progress	7	1,193,800	4,429,107
Write off of property, plant and equipment	6	691,317	-
Income from restricted cash deposits	31	(225,667)	-
Derecognition of lease liability	9	(52,989)	-
Write off of financial assets		-	(1,256,732)
<b>(Increase) / decrease in assets</b>			
Inventories	10	(2,009,192)	(12,066,350)
Biological assets	11	(4,364,272)	(8,800,863)
Trade receivables	12	312,236	(1,934,752)
Prepayments and other assets	13	6,097,524	(10,859,751)
<b>Increase / (decrease) in liabilities</b>			
Trade and other payables	22	(131,202)	18,308,521
<b>Cash used in operating activities</b>		<b>(42,874,958)</b>	<b>(42,118,218)</b>
Zakat paid	25	(2,507,022)	(1,919,479)
Employees post-employment benefits paid	20	(2,418,884)	(1,150,240)
<b>Net cash flow used in operating activities</b>		<b>(47,800,864)</b>	<b>(45,187,937)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	(2,512,949)	(11,538,869)
Additions to capital work in progress	7	(1,318,736)	(29,852,667)
Income received on investment carried at amortized cost		1,002,130	1,064,538
Redemption of investments carried at amortized cost	14	20,000,000	75,000,000
<b>Cash flow generated from investing activities</b>		<b>17,170,445</b>	<b>34,673,002</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from short term borrowings	21	10,000,000	-
Proceeds from long term borrowings	19	20,000,000	-
Repayment of long-term borrowings	19	(1,418,480)	(1,418,480)
Finance cost paid		(116,534)	-
Shareholder's compensation and subscription to priority right shares paid	23	(10,182)	(55,527)
Lease liabilities paid	9	(1,304,106)	(2,963,111)
<b>Cash flows generated from / (used in) financing activities</b>		<b>27,150,698</b>	<b>(4,437,118)</b>
<b>Net change in cash and cash equivalents during the year</b>		<b>(3,479,721)</b>	<b>(14,952,053)</b>
Cash and cash equivalents at the beginning of the year	16	5,332,894	20,284,947
<b>Cash and cash equivalents at the end of the year</b>	16	<b>1,853,173</b>	<b>5,332,894</b>

The accompanying notes 1 to 40 form part of these financial statements.

DocuSigned by:

*alwais*

D34C92D1879C4D4...

Chairman of the Board of Directors

Chief Executive Officer

Chief Financial Officer

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

---

**1. LEGAL STATUS AND OPERATIONS**

The Saudi Fisheries Company, a Saudi joint stock Company (the “Company”), was established in accordance with the provisions of the Companies Law issued by the Royal Decree No. M / 6 dated 22 Rabi Al-Awwal 1385 H and its amendments, and in accordance with Ministerial Resolution No. 67 of 30 Rabi Al-Thani 1400 H after being licensed under Ministerial Order No. 10 Ramadan 1398 H, which included establishing a fishing Company (a joint stock Company) in which the government participates with 39.99% of the capital, and Ministerial Resolution No. (35) dated 3 Safar 1399 H, which includes the formation of the first board of directors for the Company.

In accordance with the bylaws, the Company shall engage in fishing in international waters, fish farming in the seas, and other activities for the processing and preservation of shrimps and aquatic organisms, shrimps and seafood grilling shops. The above activities require obtaining a license from relevant authorities such as the Ministry of Environment, Water and Agriculture and the Ministry of Energy, Industry and Mineral Resources.

The Company is registered in the Kingdom of Saudi Arabia (“KSA”) and its head office is located in Riyadh under Commercial Registration No. 1010042732 and unified number 7000677091 dated 9 Jumada Al-Awwal 1401H corresponding to 14 March 1981.

The accompanying financial statements include the Company’s branches as follows:

<b>Branch name</b>	<b>Commercial Registration No</b>	<b>Place of issue</b>	<b>Date</b>
Jizan	5900001712	Jizan	22 Dhul Hijjah 1401 H
Riyadh	1010042732	Riyadh	22 Rabi Al-Awwal 1402 H
Jeddah	4030041385	Jeddah	13 Rabi Al-Awwal 1404 H
Rijal Alma’a- Al-Huraidah	5861023704	Abha- Rijal Alma’a	18 Rabi Al-Awwal 1424 H

**2. BASIS OF PREPARATION**

**2.1. Statement of compliance**

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and professional Accountants (“SOCPA”).

**2.2. Basis of measurement**

These financial statements have been prepared in accordance with the historical cost basis, except for the following:

- Investment in equity instruments is measured at fair value.
- Biological assets, where fair value is reliably measurable, have been measured at fair value.
- Employees' post-employment benefits recognized at the present value of future obligations using the Projected Unit Credit Method.

**2.3. Functional and presentation currency**

These financial statements have been presented in Saudi Riyals (SAR) which is the Company’s functional and presentation currency. All financial information presented in Saudi Riyals has been rounded to the nearest Saudi Riyal, unless otherwise mentioned.

## **2. BASIS OF PREPARATION (CONTINUED)**

### **2.4. Significant accounting judgements, estimates and assumptions.**

In preparing these financial statements, management has used judgments, if any, and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which are the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. A revision of accounting estimates is recognized in the period in which the estimates are revised if the revision affects only that period, or in the revision period and future periods if the revision affects both current and future periods.

#### **2.4.1. Judgements**

##### **Going concern**

The Company reported a net loss for the year ended 31 December 2022 amounting to SR 68.8 million (31 December 2021: SR 34.2 million) and its accumulated losses as of the same date amounts to SR 197.4 million (31 December 2021: SR 128.6 million) representing 49.4% (December 31, 2021: 32.2%) of the share capital which indicates that a material uncertainty exists. The Company has implemented various measures to enhance its business model and address the uncertainties. Management has taken several strategic steps to increase its trade business, improve operational efficiency, and ensure the Company's sustainability.

Key initiatives undertaken by the Company include:

**Strategic Partnership:** The Company entered into a significant agreement with Oman fisheries company, a leading player in the Oman and Gulf seafood industry. This partnership will aid in expanding the Company's trade business and create new market opportunities.

**Importing and Supply Deals:** The Company has pursued and successfully concluded deals for importing and supplying various Seafood goods, which will enhance its product portfolio and contribute to its overall financial performance.

**Farm Productivity and Cost Management:** The Company has taken initiatives to improve the productivity of its farms by adopting farming techniques and implementing stringent cost management policies to optimize costs and increase efficiency.

**Chain of Stores Upgrades:** The Company's management has invested resources in upgrading and modernizing its chain of stores, which will help attract more customers and offer a better shopping experience, ultimately leading to increased revenues.

In light of the above, management is satisfied that the Company has the necessary cash flows, financial resources and support to meet its obligations, and are confident on its ability to continue its operations as a going concern.

##### **Biological assets**

The Company has evaluated fish at cost as there are no tools available to the Company to obtain the estimated quantity of these assets and there are no indications that fair value can be reliably determined (also see note 11).

## **2. BASIS OF PREPARATION (CONTINUED)**

### **2.4. Significant accounting judgements, estimates and assumptions (continued)**

#### **2.4.2. Assumption and estimation uncertainties**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting year that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### **Determine the discount rate to calculate the present value**

Discount rates represent the current market assessment of the risks involved in scheduling cash flows, taking into account the time value of money and the individual risks of the underlying assets that have not been included in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company. The related estimates and assumptions if any, are disclosed in Note 9 (lease liabilities), Note 11 (biological assets) and Note 19 (long term borrowings) to the financial statements.

##### **Actuarial valuation of employees' post-employment benefits**

The cost of employee end-of-service benefits ("employee benefits") under the defined benefit program is determined using the projected unit credit method. The actuarial valuation involves making various assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, mortality and employee turnover. Given the complexity of the evaluation and its long-term nature; The defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are adjusted on an annual basis, or more frequently, if necessary. The related estimates and assumptions if any, are disclosed in Note 20 to theses financial statements.

##### **Zakat provision**

The management has evaluated the zakat position taking into consideration the local zakat legislations, the resolutions issued periodically and the agreements. The interpretation of legislative decrees and agreements is not always clear and requires completion of the assessment by the Zakat, Tax and Customs Authority ("ZATCA"). The related estimates and assumptions if any, are disclosed in Note 25 to theses financial statements.

##### **Net Realizable Value (NRV) of Farm Inventories**

The Company assesses the Net Realizable Value (NRV) of its farm inventories by allocating the inventories considering the sales pattern of preceding year between Trading and Restaurant. This involves taking the sales prices of each segment and determining an average. The resulting selling prices are then utilized to arrive at the NRV. Inventories held under confirmed sales contracts are excluded from the NRV assessment, in line with the requirements outlined in the IFRS. The related estimates and assumptions if any, are disclosed in Note 10 to these financial statements.

##### **Fair value of biological assets**

Estimates are involved in determining the fair value of shrimps relating to market prices, average weight, tails of shrimps, quality of the shrimps and mortality rates. There is no effective market for shrimps, so market price is derived from observable market prices (when available), contracted sales prices or estimated future prices based on historical data. Weight of the shrimps is determined based on the estimated number of shrimps at the yearend less expected mortality rate multiplied by the estimated average weight of the shrimps. The shrimps grow at different rates and there can be a considerable spread in the quality and weight of the shrimps that affects the price achieved. The related estimates and assumptions if any, are disclosed in Note 11 to these financial statements.



**2. BASIS OF PREPARATION (CONTINUED)**

**2.4. Significant accounting judgements, estimates and assumptions (continued)**

**2.4.2. Assumption and estimation uncertainties (continued)**

**Impairment of non-financial assets**

A non-financial asset is impaired when the carrying amount of the asset or cash-generating unit exceeds the asset's recoverable amount (which represents the fair value of the asset less costs to sell or its value in use, whichever is greater). The fair value of the asset is estimated through sales that are on a purely commercial basis for similar assets. Market prices are observable minus the incremental costs of selling the asset. The value in use is calculated based on the present value of the expected cash flows of the asset. These expected cash flows do not include restructuring activities for which the Company is not yet committed or significant future investments that enhance the asset performance of the cash-generating unit under consideration. The recoverable amount is most sensitive to the discount rate used to calculate the cash flows as well as the expected future cash flows and the growth rate used to estimate the value in use. The related estimates and assumptions if any, are disclosed in Note 6 (property, plant and equipment) and Note 7 (capital work in progress) to these financial statements.

**Impairment of financial assets**

Refer note 5.8.1 and note 35.2 for details.

**Fair value measurement and valuation process**

Certain Company's assets and liabilities are measured at fair value for financial reporting purposes. The Company's management is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Company uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Company engages third party qualified valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The related estimates and assumptions if any, are disclosed in Note 8 (investment properties) and Note 7 (capital work in progress) and Note 11 (biological assets) to these financial statements.

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

---

**3. NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS**

A number of new amendments to standards, enlisted below, are effective this year but they do not have a material effect on the Company's Financial Statements, except for where referenced below.

**New amendments to standards issued and applied effective January 1, 2022**

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.
IFRS 16, IFRS 9 IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	<p>IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements.</p> <p>IFRS 9: The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.</p> <p>IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value.</p> <p>IFRS 1: The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference.</p>
IAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'.
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**4. NEW STANDARDS, AMENDMENTS, AND REVISED IFRS ISSUED BUT NOT YET EFFECTIVE**

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective.

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IFRS 17	Insurance Contracts	January 1, 2023	This is comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005.
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of a liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements
IAS 8	Amendment to definition of accounting estimate	January 1, 2023	This amendments regarding the definition of accounting estimates to help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding accounting of deferred tax on transactions such as leases and decommissioning obligations
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

## **5. SIGNIFICANT ACCOUNTING POLICIES**

### **5.1. Property, plant and equipment and intangibles**

Property, plant and equipment are recognized in principle at the cost of acquisition, including any costs directly attributable to returning the assets to the site and the condition necessary to enable them to operate in the manner intended by the Company management. These assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, if any.

When the major components of items property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged on statement of profit or loss and other comprehensive income and calculated on a straight-line basis over the estimated useful lives of each item of property, plant and equipment (except for land) as follows:

<b><u>Description</u></b>	<b><u>Years</u></b>
Buildings and ponds	5 to 30
Factory equipment	4 to 20
Vessels and fishing equipment	20
Vehicles	4 to 10
Furnitures and Fixtures	5 to 10
Software and computer accessories	10

If there is an indication that there has been a significant change in the useful life or residual value of an item, future depreciation is revised to reflect the new estimates.

An item of property, plant and equipment and any significant part that is recognized initially is derecognized when it has been disposed of or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

Items such as spare parts, auxiliary equipment and servicing equipment, if any, are recognized in accordance with this IFRS when they meet the definition of property, plant and equipment. Otherwise, these items are classified as inventories.

Intangible assets other than goodwill are measured at cost, less accumulated amortization and accumulated impairment losses, if any. Intangible assets are amortized on a straight-line basis. Subsequent expenditure is capitalized 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.

### **5.2. Capital work in progress.**

Capital Work in Progress is recorded according to acquisition cost plus all direct costs that are incurred on them to bring them to location and condition necessary to enable the Company to have these assets ready for intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

### **5.3. Investment Properties**

Investment properties comprise property held for capital appreciation, long-term rental yields or both, and are carried at cost less accumulated depreciation and accumulated impairment losses, if any. Investment properties also include property that is being constructed or developed for future use as investment properties. In addition, land, if any held for undetermined use is classified as investment properties and is not depreciated.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of profit or loss as and when incurred.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized and presented separately within the statement of profit or loss.

No depreciation on the owned lands has been charged.

## **5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.4. Impairment of non-financial assets**

At each reporting date, the non-financial assets are reviewed to determine whether there is an indication that those assets have incurred an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of similar assets), is estimated and compared to its carrying amount. If the estimated recoverable amount is less than the carrying amount, the carrying amount is reduced to its estimated recoverable amount, and the impairment loss is recognized immediately in the statement of profit or loss.

Impairment occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is greater than its fair value less costs of disposal and value in use.

The recoverable amount is sensitive to the discount rate used for the (discounted cash flow) model as well as expected future cash flows and the growth rate used for extrapolation purposes.

Similarly, at each reporting date, inventories are assessed for any impairment by comparing the carrying amount of each inventory asset (or group of similar assets) to its selling price less costs to complete and sell. If there is a decrease on one of the inventory assets (or group of similar assets), its carrying amount is reduced to the selling price less the costs necessary to complete and sell, and the impairment loss is recognized immediately in the statement of profit or loss.

When the impairment loss entry is subsequently reversed, the carrying amount of the assets (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventory), provided that the carrying amount does not increase in excess of the carrying amount that would have been determined had no impairment loss been recognized for those assets for the previous year. The reversal of the impairment loss is recognized immediately in the statement of comprehensive income or comprehensive loss.

### **5.5. Leases**

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made

## **5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.5. Leases (Continued)**

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

### **5.6. Inventories**

Inventories includes finished goods, raw materials, packaging and consumable materials and spare parts, and it is stated at cost or net realizable value whichever is lower. Cost includes the cost of materials and all expenditures directly related to the manufacturing process as well as the appropriate amount of other costs, based on normal operating capacity. The cost of finished goods includes the cost of raw materials, labour and appropriate general production overheads. The cost of inventories is determined using the weighted average method.

The net realizable value consists of the estimated selling price during the normal course of business after deducting additional production costs for completion and selling and marketing expenses.

The Company reviews the carrying value of the inventories regularly, and when needed, the inventories is reduced to the net realizable value.

Biological produce initially measured at fair value and later transfer to inventories at fair value less cost to sell at the point of harvest.

### **5.7. Biological assets**

The Company's biological assets comprise of Shrimps and fish at all stages of the life cycle. Categorized into immature and mature shrimps and fish representing preharvest and ready to harvest phases, respectively.

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 as in the case of fish, 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.



## **5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.7. Biological assets (Continued)**

Measurement of fair value of shrimps is in accordance with IFRS 13. 'Fair value' refers to the price that would have been achieved on sale of the asset in an orderly transaction between market participants at the measurement date under the prevailing market conditions.

For preharvest phase (immature) the historical cost is deemed a reasonable approach to fair value, as there is little biological transformation. This assessment is based on the fact that when larvae are placed in the ponds their weight are still relatively low.

The cost is measured based on monthly weighted average cost formula, and includes cost of purchase plus transportation charges (if any), feed and medication, direct labour cost and an appropriate proportion of farm operating overheads accumulated on a project basis.

In accordance with the principle for highest and best use, the Company considers that the Shrimp have optimal weight for harvest when they have a live weight corresponding to management approved grams benchmark. Shrimps with a live weight equal to this or more, are classified as ready for harvest while shrimps that have still not achieved this weight are classified as preharvest. For ready for harvest, the highest and best use is defined as harvesting and selling the shrimps as quickly as possible. For preharvest, the highest and best use is in principle defined as growing the Shrimps to optimal weight for harvest, then harvesting and selling the Shrimps.

The Company uses a discount rate to present value future cash flows. Significant judgement is required in determining the appropriate rate to be used, which is based on incremental borrowing rate of the Company.

Estimates are also involved in determining the fair value of shrimps relating to market prices, average weight and size, number of larvae, and mortality rates.

Estimated biomass (volume) is based on the actual number of individuals in the pond on the statement of position date, adjusted to cover projected mortality up to harvest date and multiplied by the estimated weight per individual at the time of harvest.

The measurement unit is the individual Shrimps. Changes to estimated fair value of biological assets, are recorded through statement of comprehensive income/(loss) and presented on the line for fair value adjustments related to biological assets.

### **5.8. Financial Instruments**

#### **5.8.1 Financial Assets**

##### **Initial measurement**

At initial recognition, the Company recognizes the financial asset at its fair value.

##### **Subsequent measurement**

After initial recognition financial assets can be measured at Amortized cost, Fair value through other comprehensive income ("FVOCI") or Fair value through profit and loss ("FVTPL"), if any.

##### **Financial Asset at amortized cost**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

## **5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.8. Financial Instruments (Continued)**

#### **5.8.1. Financial Assets (Continued)**

##### **Financial asset at FVOCI**

##### **Debt Instruments**

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as FVTPL:

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

##### **Equity Instruments**

On initial recognition, for an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in FVOCI. This election is made on an investment-by-investment basis.

##### **Financial Asset at FVTPL**

All other financial assets are classified as measured at FVTPL (for example equity held for trading and debt securities not classified either as AC or FVOCI).

In addition, on initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets are not reclassified subsequent to their initial recognition, except in the year after the Company changes its business model for managing financial assets.

##### **Business model assessment**

The Company assesses the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and the information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning a contractual profit, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of financings in prior years, the reasons for such financings and its expectations about future financings activity. However, information about financing activity is not considered in isolation, but as part of an overall assessment of how the Company's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

## **5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.8. Financial Instruments (Continued)**

#### **5.8.1. Financial Assets (Continued)**

Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

#### **Assessments whether contractual cash flows are solely payments of principal and profit.**

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic financing risks associated with the principal amount outstanding during a particular year and other basic financing costs (e.g., liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Company's claim to the cash flows from specified assets (e.g., non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g., periodical reset of profit rates.

#### **De-recognition of financial assets**

A financial asset or a part of a financial asset is de-recognized when:

- The right to receive cash flows from the asset have expired, or
- The Company has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement: and either:
  - a) The Company has transferred substantially all the risks and rewards of the asset, or
  - b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset

#### **Modification**

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, The Company recalculates the gross carrying amount of the financial asset and recognize a modification gain or loss in the statement of comprehensive income. The gross carrying amount of the financial asset is recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate (or credit adjusted effective interest rate for purchased or originated credit-impaired financial assets) or, when applicable, the revised effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

#### **Reclassifications**

Financial assets are reclassified when the Company changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short term or long term. Financial liabilities are not reclassified.

## **5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.8. Financial Instruments (Continued)**

#### **5.8.1. Financial Assets (Continued)**

##### **Impairment**

The Company assesses on a forward-looking basis the lifetime expected credit losses associated with its financial assets carried at amortized cost. For receivables, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime losses to be recognized from the initial recognition of account receivables. The Company uses a provision matrix in the calculation of the expected credit losses on receivables to estimate the lifetime expected credit losses, applying certain provision rates to respective contractual past due aging buckets. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. The provision matrix was developed considering the probability of default and loss given default which was derived from historical data of the Company is adjusted to reflect the expected future outcome which includes macro-economic factors.

Other financial assets such as employees' receivables, bank balances have low credit risk. The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts and the impact of applying ECL is immaterial.

##### **(i) Definition of default**

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of financial covenants by the debtor
  - Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking-into-account any collateral held by the Company)
- Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### **(ii) Credit-impaired financial assets**

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event (see (i) above)
- The lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization
- The disappearance of an active market for that financial asset because of financial difficulties

##### **Presentation of allowance for ECL in the statement of financial position**

Loss allowances for ECL, for financial assets measured at amortized cost, are presented in the statement of financial position as a deduction from the gross carrying amount of the assets.

##### **Write-off**

Financial assets are written off only when:

- (i) there is no reasonable expectation of recovery, and
- (ii) write off is approved by the board of directors.

Where financial assets are written off, the Company continues to engage in enforcement activities to attempt to recover the receivable due. Where recoveries are made, after write-off, are recognized as other income in the statement of profit or loss.

## **5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.8. Financial Instruments (Continued)**

#### **5.8.2. Financial Liabilities**

##### **Classification of financial liabilities**

The Company designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed, and its performance is evaluated on a fair value basis.

These amounts represent liabilities for goods and services provided to the Company prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 12 months of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

##### **Initial measurement**

At initial recognition, the Company recognizes the financial liability at its fair value.

##### **Subsequent measurement**

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

##### **De-recognition of financial liabilities**

Financial liabilities are derecognized when the obligations specified in the contract is discharged, canceled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment.

##### **Modification**

For financial liabilities, if an exchange or change in the terms of a debt instrument does not qualify for de-recognition it is accounted for as a modification of the financial liability. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortized over the remaining term of the modified liability.

#### **5.8.3. Fair value hierarchy of financial instruments**

##### **Offsetting financial assets and liabilities**

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Company currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

The Company classifies the fair value of its financial instruments in the following hierarchy, based on the inputs used in their valuation:

##### **Level 1**

The fair value of financial instruments quoted in active markets is based on their quoted closing price at the statement of financial position date. Examples include exchange-traded commodity derivatives and other financial assets such as investments in equity and debt securities.

##### **Level 2**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques using observable market data. Such valuation techniques include discounted cash flows, standard valuation models based on market parameters for interest rates, yield curves or foreign exchange rates, dealer quotes for similar instruments and use of comparable arm's length transactions.

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

**5.8. Financial Instruments (Continued)**

**5.8.3. Fair value hierarchy of financial instruments (continued)**

**Level 3**

The fair value of financial instruments that are measured on the basis of entity-specific valuations using inputs that are not based on observable market data (unobservable inputs).

**5.8.4. Effective interest method**

The effective interest method is a method of calculating the amortized cost of financial asset and liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

**5.9. Cash and cash equivalents**

Cash and cash equivalents include cash in banks and bank deposits with original maturity of three months or less. It also includes bank overdrafts that are an integral part of the Company's cash management and are likely to fluctuate from overdraft to positive balances.

**5.10. Equity reserves**

The share capital represents the nominal (nominal) value of the shares that have been issued. Accumulated losses include all current and prior period losses. All transactions with the owners of the Company are recorded separately within equity.

**5.11. Statutory reserves**

In accordance with the Company's law in the Kingdom of Saudi Arabia, 10% of the net profit for the year is transferred to the statutory reserve after absorption of all accumulated losses until the reserve reaches 30% off the capital. This reserve is not distributable to shareholders. However, it can be used to raise capital after obtaining shareholder approval.



**SAUDI FISHERIES COMPANY  
(A SAUDI JOINT STOCK COMPANY)  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022  
(All amounts in Saudi Riyals unless otherwise stated)**

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

**5.12. Provisions**

A provision is recognized if, as a result of past events, it appears that the Company has a present legal or contractual obligation whose amount can be estimated reliably and that it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

**5.13. Contingent liabilities**

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence one or more uncertain future events that are not under the full control of the Company, or all current obligations arising from past events but not established for the following reasons:

- there is no possibility that an outflow of resources embedded in the economic benefits will be required to settle the obligation, or
- the obligation amount cannot be measured sufficient reliability; they all must be evaluated at each statement of financial position and disclosed in the Company financial statements as possible liabilities.

**5.14. Borrowings**

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Assumptions are removed from the statement of financial position when the obligation specified in the contract is discharged, canceled or expires. Borrowings are classified as a current liability when the remaining maturity date is less than 12 months.

**5.15. Employees' post-employment benefits**

**Short-term obligations**

Liabilities for wages and salaries, including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

**Employees' post-employment benefits**

The liability or asset recognized in the statement of financial position in respect of defined benefit. The plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

Defined benefit costs are categorized as follows:

**Service cost**

Service costs include current service cost and past service cost are recognized immediately in the statement of profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as past service costs.

**Interest cost**

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefits expense in the statement of profit or loss.

## **5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.15. Employees' post-employment benefits (continued)**

#### **Re-measurement gains or losses**

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income.

### **5.16. Zakat**

According to ZATCA terms the Company is subject to zakat. Zakat provision of the Company is recognized and charged in the statement of profit or loss and other comprehensive income. Additional zakat liabilities are calculated, if any, which relate to assessments of previous years by the ZATCA and income in the period in which the final assessments are issued.

### **5.17. Finance cost**

Borrowing costs directly attributable to acquisition, construction or production of qualifying assets are capitalized over a period of time necessary to complete and prepare the asset for its intended use or sale. Other finance costs are expensed in the period in which they are incurred and are recorded as 'finance expenses'. Finance costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

### **5.18. Revenue recognition**

Revenue is recognized when the Company fulfils its obligations in contracts with customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. Specifically, the standard provides a five-step approach for revenue recognition:

Step one: identify the contract(s) with customers.

Step two: identify the performance obligations in the contract.

Step three: Determine the transaction price.

Step four: Allocate the transaction price to each performance obligation in the contract.

Step five: Recognize revenue when a performance obligation is satisfied.

Revenue is recognized upon satisfying the performance of contractual obligations, when control over the goods or services is transferred to the customer to be able to use them for the intended purpose and without restrictions or to benefit from the services rendered under the contract.

The main source of the Company's revenues from contracts with customers include whole sales and retail sales.

#### **Wholesale**

For sales of sea food products to the wholesale market, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the wholesaler's specific location (delivery). Following delivery, the wholesaler has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Company when the goods are delivered to the wholesaler as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

#### **Retail**

For sales of goods to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail outlet. Payment of the transaction price is due immediately at the point the customer purchases the goods.

The Company records sales returns and sales discounts on an incurred basis, as per its policy. The Company does not offer any variable discounts, and no sales returns are accepted based on expiry.

## **5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **5.19. 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. The Company recognizes the marketing support from vendors in the selling and distribution expenses on an accrual basis.

### **5.20. Government grant**

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received. Government grants are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized under other income in the statement of comprehensive income for the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

### **5.21. Earnings per share**

The Company presents basic and diluted earnings per share (if any) for the common share. Basic earnings per share are calculated from net profit or loss by dividing the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of common shares outstanding during the year, adjusted by the number of ordinary shares repurchased or issued during the year. Diluted earnings per share are adjusted by the profit or loss attributable to common equity holders of the Company and the weighted average number of shares outstanding during the year with the effect of all of the common shares that are likely to be issued.

### **5.22. Value added tax.**

Revenues, expenses and assets are recognized after deducting VAT, except for:

When the VAT incurred in connection with the purchase of assets or services is non-refundable from ZATCA, in this case, the transaction tax is recognized as part of the cost of purchasing the asset or as part of the expense's items, where applicable; and Receivables and payables that are included with the transaction tax amount.

The net amount of VAT recoverable from, or payable to, ZATCA as part of purchase asset or expenses items in statement of financial position.

### **5.23. Transactions and balances in foreign currencies**

Transactions in foreign currencies are converted into Saudi Riyals using the exchange rate prevailing on the date of the transactions. Foreign exchange profits and losses resulting from the settlement of these transactions and from remeasurement of monetary items denominated in foreign currency at the rates prevailing at the end of the year are recognized in the statement of profit or loss and other comprehensive income. Non-monetary items are not retranslated at the end of the year and are measured at historical cost (they are translated using the exchange rates on the date of the transaction), except for non-monetary items at fair value, which are translated using the exchange rates at the date on which the fair value was determined.

### **5.24. Segmental Reporting**

An operating segment is a component of the Company 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 Company's other components. All operating segments operating results are reviewed regularly by the Company's Chief Executive Officer 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 Company's Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

**5.24. Segmental Reporting (continued)**

**a) Operational segment**

The analysis of sectors according to activities is represented in farming, wholesale, retail and others.

**b) Geographical segment**

The Company has no geographical sectors, as all revenues from the Company's activities are made within the Kingdom of Saudi Arabia, and therefore there are no geographical sectors to be disclosed.

**5.25. Dividends**

Dividends are recorded in the financial statements in the period in which they are approved by the shareholders of the Company.

Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors.

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**6. PROPERTY, PLANT AND EQUIPMENT**

	2022						
	Land, Buildings and ponds	Factory equipment	Vessels and fishing equipment	Vehicles	Furniture and fixtures	Software and computer accessories	Total
<b><u>Cost</u></b>							
1 January 2022	183,954,447	143,241,988	30,354,721	11,176,103	8,777,095	1,162,469	378,666,823
Adjustments (Note 6.1)	(200,001)	12,482	-	1,966,045	(374,522)	347,257	1,751,261
Additions during the year	183,577	1,788,887	271,060	120,045	11,461	137,919	2,512,949
Transfers from capital work in progress	22,149,255	478,131	339,925	-	189,864	1,496,830	24,654,005
Write off (Note 6.1)	(1,416,966)	(380,360)	-	(193,375)	-	-	(1,990,701)
<b>31 December 2022</b>	<b>204,670,312</b>	<b>145,141,128</b>	<b>30,965,706</b>	<b>13,068,818</b>	<b>8,603,898</b>	<b>3,144,475</b>	<b>405,594,337</b>
<b><u>Accumulated depreciation</u></b>							
1 January 2022	129,058,313	115,482,868	11,963,882	8,862,063	7,047,837	230,475	272,645,438
Adjustments (Note 6.1)	(11,143,128)	10,706,035	260	2,612,741	(771,904)	347,257	1,751,261
Depreciation for the year	4,625,786	2,120,634	1,057,869	463,553	681,508	429,927	9,379,277
Write off (Note 6.1)	(924,519)	(181,490)	-	(193,375)	-	-	(1,299,384)
<b>31 December 2022</b>	<b>121,616,452</b>	<b>128,128,047</b>	<b>13,022,011</b>	<b>11,744,982</b>	<b>6,957,441</b>	<b>1,007,659</b>	<b>282,476,592</b>
<b><u>Net book value</u></b>							
<b>31 December 2022</b>	<b>83,053,860</b>	<b>17,013,081</b>	<b>17,943,695</b>	<b>1,323,836</b>	<b>1,646,457</b>	<b>2,136,816</b>	<b>123,117,745</b>

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	2021						
	<b>Land, Buildings and ponds</b>	<b>Factory equipment</b>	<b>Vessels and fishing equipment</b>	<b>Vehicles</b>	<b>Furniture and Fixtures</b>	<b>Software and computer accessories</b>	<b>Total</b>
<b><u>Cost</u></b>							
1 January 2021	182,767,593	136,908,165	28,393,921	10,088,794	7,808,774	1,160,707	<b>367,127,954</b>
Additions during the year	1,186,854	6,333,823	1,960,800	1,087,309	968,321	1,762	<b>11,538,869</b>
<b>31 December 2021</b>	<b>183,954,447</b>	<b>143,241,988</b>	<b>30,354,721</b>	<b>11,176,103</b>	<b>8,777,095</b>	<b>1,162,469</b>	<b>378,666,823</b>
<b><u>Accumulated depreciation</u></b>							
1 January 2021	124,778,135	114,155,103	10,956,302	8,090,287	6,569,266	114,377	<b>264,663,470</b>
Depreciation for the year	4,280,178	1,327,765	1,007,580	771,776	478,571	116,098	<b>7,981,968</b>
<b>31 December 2021</b>	<b>129,058,313</b>	<b>115,482,868</b>	<b>11,963,882</b>	<b>8,862,063</b>	<b>7,047,837</b>	<b>230,475</b>	<b>272,645,438</b>
<b><u>Net book value</u></b>							
<b>31 December 2021</b>	<b>54,896,134</b>	<b>27,759,120</b>	<b>18,390,839</b>	<b>2,314,040</b>	<b>1,729,258</b>	<b>931,994</b>	<b>106,021,385</b>



**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

---

**6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<b><u>Depreciation charge for the year has been allocated as follows:</u></b>	<b><u>Note</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Cost of sales	28	<b>7,282,331</b>	5,609,615
Selling and marketing expenses	29	<b>1,138,868</b>	1,071,255
General and administrative expenses	30	<b>958,078</b>	1,301,098
		<b><u>9,379,277</u></b>	<b><u>7,981,968</u></b>

- 6.1.** During the current year the management has performed physical verification of property, plant and equipment with external consultants and as result of physical verification the management has made certain adjustments and reclassification to reconcile their books with the property, plant and equipment register. This also results in write off of assets having net book value of SAR 0.691 million (gross amount of SAR 1.99 million) based on the approval of board of directors.
- 6.2.** The Company's Buildings, Factory and facilities are constructed on land which are leased from the government of Kingdom of Saudi Arabia. Right-of-use assets for the same are duly created. Please refer note 9.
- 6.3.** Depreciation is allocated based on the assets tagged with the related cost centers on actual basis.
- 6.4.** Property, plant and equipment include assets having gross carrying amount of SAR 202 million which are fully depreciated but are still in use.
- 6.5.** Intangible assets are not presented separately on face of the statement of financial position as the amounts are not material.
- 6.6.** Land, buildings and ponds include a land in Qatif, with a book value of SAR 1 million as of 31 December 2022 and 31 December 2021 is mortgage to the Saudi Agricultural Development Fund against the borrowings granted to finance the shrimp cultivation and breeding project. Please refer note 19.2.

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**7. CAPITAL WORK IN PROGRESS**

	<b>2022</b>	<b>2021</b>
<b>Cost</b>		
1 January	<b>61,657,793</b>	31,805,126
Additions	<b>1,318,736</b>	29,852,667
Transfer to property, plant and equipment	<b>(24,654,005)</b>	-
<b>Balance at end of the year</b>	<b>38,322,524</b>	61,657,793
<i>Less: Provision of impairment</i>	<b>(5,622,907)</b>	(4,429,107)
<b>31 December</b>	<b>32,699,617</b>	57,228,686

The details of closing capital work in progress are as follows:

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Feed plant project	7.1	<b>25,808,955</b>	25,808,955
<i>Less: Impairment on feed plant project</i>		<b>(5,622,907)</b>	(4,429,107)
Feed plant project, net		<b>20,186,048</b>	21,379,848
Development of farms		<b>10,689,483</b>	10,463,333
Development of processing plant		<b>1,570,922</b>	2,073,326
Lining Project (Ponds)		-	22,697,054
Stores upgradation		<b>253,164</b>	615,125
Balance at the end of the year		<b>32,699,617</b>	57,228,686

**7.1.** Feed plant project is a long outstanding project. The Company has already maintained a provision of impairment in this regard based on the last impairment assessment. During the year, the Company has performed an impairment exercise by an external party for determining the fair value.

Measurement data of fair value according to IFRS 13 as at 31 December 2022 is as follows:

<b>Properties</b>	<b>Valuation methodology</b>	<b>Purpose</b>	<b>Key inputs</b>	<b>Carrying value at 31 December 2022</b>	<b>Recoverable amount as at 31 December 2022</b>	<b>Impairment for 2022</b>
<b><u>Feed plant</u></b>						
Building	Cost approach	Impairment assessment	Replacement cost	21,379,848	20,186,048	(1,193,800)
Equipment	Cost approach	Impairment assessment	Replacement cost			

The name and qualifications of the valuer performed evaluation of the feed plant building and equipment are as follows:

<b>Name of valuers</b>	Ejadah Saudia (For Building)
<b>Valuer's qualifications</b>	Rqeem (For Equipment) Licensed (TAQEEM).

The valuer is independent to the Company and the valuation conforms to International Valuation Standards. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Taking into considering the valuation technique and key inputs utilized by the valuator, the valuation is categorized at Level 2 of the fair value hierarchy of IFRS 13.

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**8. INVESTMENT PROPERTIES**

The investment lands included a land in the Dammam area that the Company had previously purchased from the General Organization for Railways on 25 January 2012 for SAR 39.25 million, until the purchase was rejected by the State General Authority for Real Estate, on account of violation of the approved railway protection system.

The Company excluded the land from its records and all the required documents were submitted to the General Organization of Railways and a cheque for SAR 24.38 million received by the Company after deducting the accumulated dues of the ZATCA of SAR 11.32 million in addition to deducting the amount of SAR 0.16 million for warehouse rent. Subsequently, the Company submitted the documents required to recover the remaining amount of SAR 3.37 million. The impairment of other assets includes a provision for the full value. Also, see note 13.

The Company has valid rent contract for the property and accordingly Right-of-use assets has been duly recognized. Please refer note 9. Currently, the Company has subleased the property on operating leases to multiple parties and rental income is disclosed in the Note 31.

**Operating lease arrangements**

Operating leases, in which the Company is the lessor, relate to investment property owned by the Company with lease terms of between 2 to 5 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

Maturity analysis of operating lease payments:

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Year 1	1,256,670	1,344,159
Year 2	1,250,000	1,256,670
Year 3	1,250,000	1,250,000
Year 4	1,250,000	1,250,000
Year 4	1,250,000	1,250,000
	<b>6,256,670</b>	<b>6,350,829</b>

The carrying amount and fair values of the land as of 31 December 2022 is presented below:

<b>Location</b>	<b>Purpose</b>	<b>Book value</b>	<b>Valuation Technique</b>	<b>Key Inputs</b>	<b>Fair Value Amount as per Valuation</b>
Al-Khobar (Note 8.1)	Rental	2,100,000	Cost approach	Replacement cost	4,269,047
Riyadh	Rental	1,250,000	Market value	Recent transactions	4,450,000
Onezah	Capital Appreciation	160,000	Market value	Recent transactions	349,000
Abu Arish (Note 8.2)	Rental	3,135,794	Market value	Recent transactions	22,782,862
		<b>6,645,794</b>			<b>31,850,909</b>

**8. INVESTMENT PROPERTIES (CONTINUED)**

The name and qualifications of the valuer performed evaluation of the investment properties are as follows:

<b>Name of valuer</b>	Ejadah Saudia
<b>Valuer's qualifications</b>	Licensed (TAQEEM).

The valuer is independent to the Company and the valuation conforms to International Valuation Standards. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Taking into considering the valuation technique and key inputs utilized by the valuers, the valuations are categorized at Level 2 of the fair value hierarchy of IFRS 13.

**8.1.** The lands include a land in Khobar, with a book value of SAR 2.1 million as of 31 December 2022 and 31 December 2021 and were mortgaged to the Saudi Agricultural Development Fund against the borrowings granted to finance the shrimp cultivation and breeding project (also refer note 6.6).

**8.2.** Title deed of the land document is still not digitized as per the requirements of the regulations. Company is currently in a process of updating the title deed.

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**9. RIGHT-OF-USE ASSETS**

**Land and buildings**

<b><u>Cost</u></b>	<b><u>Note</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
1 January		12,710,700	11,308,306
Additions for the year		1,042,853	346,586
Right-of-use assets - remeasurement		9,470,818	-
Derecognition	9.1	(1,042,049)	-
Modifications for the year		-	1,055,808
31 December		22,182,322	12,710,700
<b><u>Accumulated depreciation</u></b>			
1 January		5,539,247	2,822,316
Charge for the year		2,037,712	2,716,931
Derecognition	9.1	(1,042,049)	-
31 December		6,534,910	5,539,247
Net book value as at 31 December		15,647,412	7,171,453

<b><u>Depreciation charge for the year has been allocated as follows:</u></b>	<b><u>Note</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Selling and marketing expenses	29	1,076,210	1,946,831
Cost of sales	28	737,803	770,100
General and administrative expenses	30	223,699	-
		2,037,712	2,716,931

Depreciation is allocated based on the assets tagged with the related cost centers on actual basis.

The Company leases several assets including land and buildings. The average lease term is 5.03 years (2021: 3.74 years)

Right-of-use assets includes a rental property of Saudi Arabia Railways. Currently, the Company has subleased the property on operating leases to multiple parties. Please also refer note 8.

**Amounts recognized in profit or loss:**

	<b><u>Note</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Depreciation expense of right-of-use assets		2,037,712	2,716,931
Lease finance cost (included in finance cost)	32	306,147	306,236
Expense relating to short-term leases (included in statement of profit or loss)		-	-
Total amounts recognized in profit or loss		2,343,859	3,023,167

9.1. These amounts relate to fully depreciated Right-of-use assets written off.

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**9. RIGHT-OF-USE ASSETS (CONTINUED)**

**Lease liabilities on right-of-use assets**

	<b>2022</b>	<b>2021</b>
Lease liabilities as at the beginning of the year	8,035,604	9,290,085
Additions during the year	1,042,853	346,586
Lease liability - remeasurement	9,470,818	-
Modifications for the year	-	1,055,808
Derecognition	(52,989)	-
Finance cost	306,147	306,236
Paid during the year	(1,304,106)	(2,963,111)
	<b>17,498,327</b>	<b>8,035,604</b>

The incremental borrowing rate applied is 5% (2021: 5%) for all the leases of the Company based on varying lease terms.

The total cash outflow for leases amount to SAR 1.30 million (2021: SAR 2.96 million)

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Non-current	13,321,836	4,632,324
Current	4,176,491	3,403,280
	<b>17,498,327</b>	<b>8,035,604</b>

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Year 1	4,176,491	3,403,280
Year 2	942,692	1,405,959
Year 3	646,742	942,692
Year 4	436,773	646,742
Year 5 onwards	20,875,819	3,361,442
Total undiscounted lease liabilities	27,078,517	9,760,115
Less: Finance cost	(9,580,190)	(1,724,511)
	<b>17,498,327</b>	<b>8,035,604</b>

**10. INVENTORY**

		<b>As at 31 December</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>
Finished Goods, net	10.1	12,145,399	8,124,945
Raw materials		5,476,269	6,401,753
Packaging materials and consumables		3,503,609	5,897,022
Spare parts		1,677,617	1,759,699
		<b>22,802,894</b>	<b>22,183,419</b>

**10.1.** During the year, the Company has written-down finished goods amounting to SAR 1.39 million based on the net realizable value assessment.

**10.2.** Refer note 28 for the cost of inventories recognised as an expense during the year.

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**11. BIOLOGICAL ASSETS**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
<b><u>At fair value</u></b>		
- Shrimps	<b>3,022,858</b>	21,860,518
<b><u>At cost</u></b>		
- Fish	<b>12,897,234</b>	-
- Raw material	<b>4,744,546</b>	-
	<b>20,664,638</b>	21,860,518

Raw material includes small Barramundi fish that have yet to be transferred to the sea cages for further growth, as well as post-grow out shrimp larvae that are ready for transfer to grow-out stage.

	<b>2022</b>		<b>2021</b>	
	<b>Shrimps (At fair value)</b>	<b>Fish (At cost)</b>	<b>Shrimps (At fair value)</b>	<b>Fish (At cost)</b>
Carrying amount at 1 January	<b>21,860,518</b>	-	974,745	-
Additions due to purchases during the year	<b>28,439,772</b>	<b>9,883,135</b>	9,775,608	-
Shared overheads	<b>23,766,748</b>	<b>7,242,974</b>	-	-
Transfers to inventories	<b>(67,452,178)</b>	<b>(4,228,875)</b>	(974,745)	-
Loss arising from changes in fair value less cost to sell	<b>(3,592,002)</b>	-	12,084,910	-
Carrying amount at 31 December	<b>3,022,858</b>	<b>12,897,234</b>	21,860,518	-

The management of the Company considers the market prices, average weight, tails of shrimps, quality of the shrimps and mortality rates to fair value the biological assets. There is no active market for shrimps, so market price is derived from observable market prices including contracted sales which is considered to be level 2 of the fair value hierarchy of IFRS 13.

The biological assets related to fish amounting to SAR 12.9 million are carried at cost less any accumulated depreciation and impairment losses, if any. Due to the stage of the assets, there is no reliable measurement of their fair value.

As of 31 December 2022, due to the unavailability of the mechanism to validate the quantities of the fish in the sea the management of the Company was unable to perform the physical count of fish. The Management explored various feasible alternatives such as outsourcing the count through global experts who were unable to execute the count due to the unavailability of suitable tools. As a result, the Management explored options to acquire these tools however considering the possible given the stage of the farming, acquiring such tools are not financially viable.

Consequently, the management was unable to arrive at the fair value for fish, that can be measured reliably. This judgement has been made in line with the accounting standards applicable to such assets, and the Management remains committed to continually evaluating methods to reliably measure these biological assets' fair value in the future.

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**12. TRADE RECEIVABLES**

*Financial Asset at Amortized Cost – unsecured*

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Trade receivable	7,544,270	7,856,506
Less: Impairment of trade receivable	(4,129,613)	(2,805,052)
	<b>3,414,657</b>	<b>5,051,454</b>

**12.1.** The credit terms of the trade receivables vary across the business segments of the Company and therefore any significant change in affects the aging profile of trade receivables accordingly.

**12.2.** The average credit period on sales of goods is 45 days. No interest is charged on outstanding trade receivables.

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

	<b>2022</b>	<b>2021</b>
At the beginning of the year	2,805,052	2,081,037
Impairment during the year	1,324,561	724,015
<b>At the end of the year</b>	<b>4,129,613</b>	<b>2,805,052</b>

**13. PREPAYMENTS AND OTHER ASSETS**

		<b>As at 31 December</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>
VAT receivables		5,710,009	5,256,443
Advance payments to suppliers		3,747,422	2,516,578
Prepaid expenses (medical, insurance and utilities)		1,492,595	4,123,219
Government grant receivable	31	510,402	-
Less: Impairment		(3,445,335)	-
		<b>8,015,093</b>	<b>11,896,240</b>
<i>Financial Asset at Amortized Cost – Unsecured</i>			
Land related receivables	8	3,377,204	3,377,204
Rental receivable		1,273,208	1,784,983
Receivables from staff		256,633	761,121
Margin of guarantees		170,775	1,125,916
Fisher's receivable		-	75,406
Others		99,116	268,683
		<b>5,176,936</b>	<b>7,393,313</b>
Less: Impairment of financial assets		(4,606,144)	(4,606,144)
		<b>570,792</b>	<b>2,787,169</b>
<b>Total</b>		<b>8,585,885</b>	<b>14,683,409</b>

**13.1.** Government grant receivable relate to the program from the Ministry of Environment, Water and Agriculture to support the Company in the shrimp and fish farming that meets the required criteria.



**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**14. INVESTMENTS CARRIED AT AMORTIZED COST**

	As at 31 December	
	2022	2021
<i>Financial Asset at Amortized Cost – secured</i>		
<b>Term deposit</b>		
Original maturity – less than three months	-	15,000,000
Original maturity - more than three months	44,000,000	80,000,000
Add: Accrued interest income	383,323	84,892
Balance at the end of the year	44,383,323	95,084,892

The Investment carried at amortized cost represents, term deposit placements with local credit rated financial institutions. The average yield on the placements ranges from 4% – 5.25% (2021: 0.7-0.85%).

These funds are raised as a result of the right issuance of the Capital and are only restricted to be utilized in the farm activities of the Company as per the directives of the general assembly.

**15. RESTRICTED CASH DEPOSIT**

The Company has placed these funds in restricted bank accounts as a margin deposit for certain financing facilities granted to the Company. The Company also earns a profit on these balances. The average yield on the restricted cash deposits ranges from 3.07% – 5.40%.

	As at 31 December	
	2022	2021
<i>Financial Assets at Amortized Cost - Secured</i>		
Restricted cash deposit	31,000,000	-
Accrued profit on restricted cash deposit	225,667	-
	31,225,667	-

During the year, the Company has deposited SAR 11 million with National Bank of Bahrain, a related party to the Company (also see note 24) against borrowings obtained.

These funds are raised as a result of the right issuance of the Capital and are only restricted to be utilized in the farm activities of the Company as per the directives of the general assembly.

	As at 31 December	
	2022	2021
<b>15.1. Maturity profile:</b>		
<b>Restricted cash deposit</b>		
Non-current portion	20,126,667	-
Current portion	11,099,000	-
	31,225,667	-

**16. CASH AND BANK BALANCES**

	As at 31 December	
	2022	2021
<i>Financial Asset at Amortized Cost - Secured</i>		
Cash in hand	83,294	2,800,452
Cash at bank	1,769,879	2,532,442
	1,853,173	5,332,894

Cash in banks are maintained in current accounts and does not yield any income. Out of total cash at bank, a current account with a balance of SAR 0.86 million (2021: nil) maintained with National Bank of Bahrain, a related party to the Company (see note 24).

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**16. CASH AND BANK BALANCES (CONTINUED)**

**16.1. Cash and cash equivalents for Statement of Cashflow purposes**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Cash in hand	83,294	2,800,452
Cash at bank	1,769,879	2,532,442
Term deposits with original maturity of less than three months	-	15,000,000
	<b>1,853,173</b>	<b>20,332,894</b>

**17. SHARE CAPITAL**

The Company's issued and paid-up capital as at 31 December 2022 is SAR 400 million (31 December 2021: SAR 400 million) divided into 40 million shares issued and paid (31 December 2021: 40 million shares) with a par value of SAR 10 per share.

The Company has one class of ordinary shares which carry no right to fixed income.

**18. STATUTORY RESERVE**

The Company is required to transfer at least 10% of its net profit each year to statutory reserve until such reserve equals to 30% of its share capital. This reserve is not available for distribution to the shareholders.

**19. LONG TERM BORROWINGS**

<i>Financial Liabilities at Amortized Cost - Secured</i>	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Murabaha finance	20,000,000	-
Zero-interest loan	3,304,320	4,722,800
Accrued finance cost	913,090	-
	<b>24,217,410</b>	<b>4,722,800</b>

<b>19.1. Long Term Borrowings</b>	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Non-current portion	21,885,840	3,304,320
Current portion	1,418,480	1,418,480
Accrued finance cost	913,090	-
	<b>24,217,410</b>	<b>4,722,800</b>

**19.2.** The Company has interest free long-term loan from Saudi Agriculture Development Fund for the farming activities. The loan is repayable by the year 2025. These loans are discounted using prevailing market rate. The difference between the loan received and the present value is recorded as deferred government grant refer note 22. The same is amortized over the period of loan in accordance with the requirements of IFRS.

Furthermore, these loans are secured against mortgage for lands owned by the Company in Qatif and Al Khobar at their book values in the amount of SAR 1 million and SAR 2.1 million respectively.

**19.3.** The Company has obtained financial facilities from local Islamic bank for the purpose of financing working capital needs. The bank facility bears profit at market prevailing rates and also have restricted cash deposits. The borrowing is repayable by 1 September 2026.

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**19. LONG TERM BORROWINGS (CONTINUED)**

**19.4. Reconciliation of movements of liabilities to cashflows arising from financing activities:**

	Liabilities			
	Long-term borrowings	Short-term borrowings	Shareholder's compensation and subscription to priority right shares	Lease liabilities
<b>Balance as at 1 January 2022</b>	<b>4,722,800</b>	-	<b>13,424,457</b>	<b>8,035,604</b>
Proceeds from borrowings	20,000,000	10,000,000	-	-
Repayment of borrowings	(1,418,480)	-	-	-
Finance cost paid	(116,534)	-	-	-
Shareholder's compensation and subscription to priority right shares paid	-	-	(10,182)	-
Lease liabilities paid	-	-	-	(1,304,106)
<b>Other changes – liability related</b>				
New leases	-	-	-	1,042,853
Remeasurement of lease liabilities	-	-	-	9,470,818
Modification	-	-	-	-
Derecognition of lease liability	-	-	-	(52,989)
Finance cost	1,029,624	73,467	-	306,147
<b>Balance as at 31 December 2022</b>	<b>24,217,410</b>	<b>10,073,467</b>	<b>13,414,275</b>	<b>17,498,327</b>

	Liabilities			
	Long-term borrowings	Short-term borrowings	Shareholder's compensation and subscription to priority right shares	Lease liabilities
<b>Balance as at 1 January 2021</b>	<b>6,141,280</b>	-	<b>13,479,984</b>	<b>9,290,085</b>
Proceeds from borrowings	-	-	-	-
Repayment of borrowings	(1,418,480)	-	-	-
Finance cost paid	-	-	-	-
Shareholder's compensation and subscription to priority right shares paid	-	-	(55,527)	-
Lease liabilities paid	-	-	-	(2,963,111)
<b>Other changes – liability related</b>				
New leases	-	-	-	346,586
Remeasurement of lease liabilities	-	-	-	-
Modification	-	-	-	1,055,808
Derecognition of lease liability	-	-	-	-
Finance cost	-	-	-	306,236
<b>Balance as at 31 December 2021</b>	<b>4,722,800</b>	-	<b>13,424,457</b>	<b>8,035,604</b>

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

---

**20. EMPLOYEES' POST-EMPLOYMENT BENEFITS**

**20.1.** During the year the actuarial valuations of the defined benefit obligations were carried out under the Projected Unit Credit Method using the following significant assumptions:

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
The present value of the employees' post-employment benefit	5,838,149	6,935,471

**20.2. Key actuarial assumptions**

	<b>2022</b>	<b>2021</b>
Estimated rate of increase in employee salaries	4.55%	1.85%
Discount rate	4.20%	1.85%
Employee turnover (withdrawal) rates	HIGH	HIGH

**20.3. Amount recognized in the statement of profit or loss for the year ended.**

	<b>2022</b>	<b>2021</b>
Service Cost	1,705,204	1,398,055
Finance cost on employees' post-employment benefit	105,932	94,190
The total amount charged to the statement of profit or loss	1,811,136	1,492,245

**20.4. Amount recognized in the statement of other comprehensive income for the year ended.**

	<b>2022</b>	<b>2021</b>
Actuarial losses due to change in financial assumptions	161,679	10,222
Actuarial gains due to change in demographic assumptions	(209,324)	-
Actuarial losses due to change in experience assumptions	(441,929)	(68,665)
Return on plan assets	-	-
Amount charged to Other Comprehensive Income	(489,574)	(58,443)

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**20. EMPLOYEES' POST-EMPLOYMENT BENEFITS (CONTINUED)**

**20.5. The movement in the present value of employees' post-employment benefit**

	<b>2022</b>	<b>2021</b>
Present value at the beginning of the year	<b>6,935,471</b>	6,651,909
Service Cost	<b>1,705,204</b>	1,398,055
Finance cost	<b>105,932</b>	94,190
Payments during the year	<b>(2,418,884)</b>	(1,150,240)
Actuarial gain through OCI	<b>(489,574)</b>	(58,443)
	<b>5,838,149</b>	6,935,471

The liability of employees' post-employment benefits related to key management amounted to SAR 0.116 million (refer note 24).

**20.6. Maturity Profile**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Year 1	2,296,720	1,849,308
Year 2	798,025	1,278,837
Year 3	615,757	623,718
Year 4	555,288	527,202
Year 5 onwards	2,504,099	3,262,308

**20.7. Sensitivity Analysis of significant actuarial assumptions**

	<b>Change in assumption</b>	<b>Increase / (decrease) in present value of employees' post-employment benefit liability</b>	
		<b>Amount</b>	<b>%</b>
Discount rate	+1%	5,661,398	(3.03) %
	-1%	6,029,954	3.29 %
Salary increase rate	+1%	6,054,167	3.70 %
	-1%	5,635,195	(3.48) %
Mortality	+1 year	5,837,698	(0.01) %
	-1 year	5,838,601	0.01 %
Withdrawal rate	+10%	5,779,008	(1.01) %
	-10%	5,905,555	1.15 %

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**21. SHORT TERM BORROWINGS**

	As at 31 December	
	2022	2021
<i>Financial Liabilities at Amortized Cost - Secured</i>		
Conventional loan	10,000,000	-
Accrued finance cost	73,467	-
	<b>10,073,467</b>	<b>-</b>

The Company has obtained this loan from a related party (affiliate) for the purpose of financing working capital needs. The bank facility bears finance costs at market prevailing rates and also have restricted cash deposits.

**22. TRADE AND OTHER PAYABLES**

	Note	As at 31 December	
		2022	2021
<i>Financial Liabilities at amortized cost – unsecured</i>			
Trade payables	19.1	15,918,876	14,493,421
Accrued salaries and wages		5,842,214	5,654,443
Unclaimed dividends payable	22.2	2,859,525	2,859,659
Remuneration of board members	24.2	1,429,286	1,499,000
Accrued rents		435,086	32,875
		<b>26,484,987</b>	<b>24,539,398</b>
Deferred government grant	19.2	392,568	1,166,987
Advance from customers	22.3	254,887	1,177,654
Provision for legal cases		596,403	-
Other		1,477,976	2,453,984
		<b>2,721,834</b>	<b>4,798,625</b>
<b>Total</b>		<b>29,206,821</b>	<b>29,338,023</b>

**22.1.** This represents non-profit bearing payables against the purchases made by the Company on a conventional basis.

**22.2.** The Company has outstanding dividends that were announced in prior periods but remain unsettled due to the unavailability of bank account details of the shareholders. Company is currently addressing this matter and settling the outstanding dividends based on shareholder claims submitted to the Company.

The Company remains committed to fulfilling its obligations to shareholders and are taking necessary measures to facilitate the timely payment of these dividends. The Company expects to settle the outstanding dividends in accordance with applicable regulations and requirements.

**22.3.** As at 31 December 2022, the Company had recognized an advance from customers amounting to SAR 0.25 million (31 December 2021: SAR 1.18 million) in relation to the sale of goods. The advance from customers represents cash received from customers before the Company has satisfied its performance obligations under the contracts. The Company expects to recognize revenue related to this advance from customers over the next 12 months. During the year ended 31 December 2022, the Company recognized revenue of SAR 1.18 million (2021: Nil) related to the advance from customers that was previously included in the contract liability balance.

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**23. SHAREHOLDER'S COMPENSATION AND SUBSCRIPTION TO PRIORITY RIGHT SHARES**

The Company has completed the legal procedures related to the capital increase and announced the subscription of new shares for existing shareholders. Despite this, some shareholders have opted not to exercise their right to participate in the capital increase.

To address this, the Company compensated these shareholders who did not exercise their right to subscribe to priority rights shares related to the capital increase in 2011. The compensation was calculated based on the difference between the nominal value and the market value of the share, amounting to SAR 11.74 per share.

The total value of the compensation amounted to SAR 31.74 million, with SAR 13.41 million remaining unpaid as of 31 December 2022 (compared to SAR 13.42 million as of 31 December 2021) for the first increase. The Company remains committed to completing the compensation process and settling all outstanding amounts owed to these shareholders.

**24. RELATED PARTIES' TRANSACTION AND BALANCES**

Key management personnel are those persons, including the Board of Directors members, Managing Director and top executives having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly.

The transactions with related parties represent the salaries, bonuses and allowances of the members of the Board of Directors, the committees and the executive management that took place during the period between the Company and the members of the Board of Directors, the members of the committees and the executive management. The most important transactions with related parties are as follows:

**24.1. Transactions during the year**

Name of Related Party	Nature of Relationship	Nature of transactions	2022	2021
Key management personnel	Board members	Board remuneration	2,556,790	2,530,141
		Payment to Board	(2,408,799)	(1,813,000)
	Key executive employees	Salaries, wages and other allowances	3,833,210	3,043,381
		Employees' post-employment benefits	167,082	199,577
National Bank of Bahrain	Affiliate	Finance cost on borrowings	73,467	-
		Amount received as borrowing	10,000,000	-

**24.2. Balance as at the year end**

Name of related party	Nature of relationship	Nature of Balance	As at 31 December	
			2022	2021
Key management personnel	Board members	Board remuneration	1,429,286	1,499,000
		Salaries, wages and other allowances	3,833,210	3,043,381
	Key executive employees	Employees Post-Employment Benefit	167,082	199,577
National Bank of Bahrain	Affiliate	Short-term borrowings	10,073,467	-

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

---

**25. PROVISION FOR ZAKAT**

The movement in the provision for zakat is as follows:

	<b>2022</b>	<b>2021</b>
Balance at the beginning of the year	<b>7,572,018</b>	6,544,958
Charged during the year	<b>1,943,962</b>	2,946,539
Prior year adjustment	<b>850,149</b>	-
Paid during the year	<b>(2,507,022)</b>	(1,919,479)
Balance at the end of the year	<b>7,859,107</b>	7,572,018

**25.1. Status of Assessment**

The Company has submitted its Zakat return to ZATCA for the year ended 31 December 2021, and obtained certificate valid until 10 Shawwal 1444H, corresponding to 30 April 2023. Currently, the Company has still an unpaid zakat liability amounting to SAR 1.618 million related to 2021.

On 25 October 2018, the ZATCA issued zakat assessments for the years from 2011 to 2016 amounting to SAR 8.8 million. The Company has submitted an objection to the zakat assessments, and the objection is still under study by the General Secretariat of Tax Committees. The Company has made a provision amounting to SAR 2.9 million for this assessment based on the consultant's advice.

On 30 September 2020, the ZATCA issued zakat assessments for the years from 2017 to 2018 amounting to SAR 2.4 million. The Company has submitted an objection to the zakat assessments, and the objection is still under study by the General Secretariat of Tax Committees. The Company has not made any provision for this assessment based on the consultant's advice as the consultant believes that the decision will be in favour of the Company.

The Company is confident based on the consultant's assessment that there will not be any additional liability other than already provided.

**26. CONTINGENCIES AND COMMITMENTS**

**26.1.** The commitment to banks against letters of credit issued on the Company's behalf are SAR 3.5 million at 31 December 2022 (2021: SAR 0.74 million).

**26.2.** The commitment to banks against letters of guarantee issued on the Company's behalf are SAR 0.17 million at 31 December 2022 (2021: Nil).



**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**27. SALES**

<b><u>Sale of goods</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Wholesale	28,737,413	22,087,050
Retail	23,609,535	33,925,304
<i>Less:</i>		
<i>Sales return</i>	(1,496,185)	(4,572,709)
<i>Sales discount</i>	(2,035,247)	(3,853,235)
	<b>48,815,516</b>	<b>47,586,410</b>
<b><u>Sales by timing</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Point in time	48,815,516	47,586,410
Over the period	-	-
	<b>48,815,516</b>	<b>47,586,410</b>

**27.1.** The Company's revenue is derived from the contracts with customers for sale of goods. Products are transferred at a point in time, when goods are delivered, accordingly sale is recognised.

**28. COST OF SALES**

	<b><u>Note</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Raw material		28,064,327	23,355,950
Salaries and wages		20,601,806	7,719,385
Depreciation of property, plant and equipment	6	7,282,331	5,609,615
Electricity cost and other services		4,476,573	2,637,557
Equipment rent		2,514,448	942,423
Repair & maintenance		2,372,562	1,324,897
Write-down of inventories	10	1,389,717	-
Depreciation of the right to use assets	9	737,803	770,100
Others		437,595	459,814
		<b>67,877,162</b>	<b>42,819,741</b>

**29. SELLING AND DISTRIBUTION EXPENSES**

	<b><u>Note</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>
Salaries and wages		13,297,473	13,717,868
Utilities		2,924,143	2,908,073
Sales commission		2,000,068	1,778,004
Depreciation of property, plant and equipment	6	1,138,868	1,071,255
Transportation fees		1,104,828	420,372
Depreciation of the right to use the asset	9	1,076,210	1,946,831
Professional services		367,105	-
Sales incentives		-	193,316
Advertising expenses		85,384	2,389,584
Others		191,980	241,707
		<b>22,186,059</b>	<b>24,667,010</b>

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**30. GENERAL AND ADMINISTRATIVE EXPENSES**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Salaries and wages		<b>10,266,729</b>	11,931,001
Impairment of VAT receivable	13	<b>3,445,335</b>	-
Remuneration of board members	24	<b>2,556,790</b>	2,530,141
Utilities		<b>2,039,875</b>	1,529,223
Impairment of capital work in progress	7	<b>1,193,800</b>	4,429,107
Professional services		<b>1,107,620</b>	875,627
Depreciation of property, plant and equipment	6	<b>958,078</b>	1,301,098
Legal expenses	22	<b>596,403</b>	-
Subscriptions		<b>437,260</b>	441,806
Depreciation of the right to use assets	9	<b>223,699</b>	-
Impairment of other receivables		-	1,228,940
Other		<b>938,824</b>	812,020
		<b>23,764,413</b>	25,078,963

**31. OTHER INCOME, NET**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Government grant	31.1	<b>2,253,128</b>	-
Income from term deposits	14	<b>1,300,561</b>	1,064,538
Rental income	8	<b>1,256,670</b>	1,344,159
Income from restricted cash deposit	15	<b>225,667</b>	-
Write-off of property, plant and equipment	6	<b>(691,317)</b>	-
Others		<b>1,101,397</b>	371,853
		<b>5,446,106</b>	2,780,550

**31.1.** Government grant includes subsidy received from the Ministry of Environment, Water and Agriculture on the farming and sales of owned produced shrimps and fish.

**32. FINANCE COST**

	<b>Note</b>	<b>2022</b>	<b>2021</b>
Unwinding of zero-interest loan	19	<b>558,557</b>	-
<u>Islamic finance facility:</u>			
- Murabaha	19	<b>354,533</b>	-
Conventional loan	21	<b>190,001</b>	-
Lease liabilities	9	<b>306,147</b>	306,236
Employees' post-employment benefits	20.3	<b>105,932</b>	94,190
		<b>1,515,170</b>	400,426

**33. BASIC AND DILUTED LOSSES PER SHARE**

The basic and diluted share of income is calculated by dividing the income for the year attributable to the shareholders of the company by the weighted average number of ordinary shares outstanding at the end of the year, which amounted to 40,000,000 shares (31 December 2021: 40,000,000 shares).

	<b>2022</b>	<b>2021</b>
Net Loss of the year	<b>(68,791,856)</b>	(34,184,824)
Weighted average number of shares outstanding during the year	<b>40,000,000</b>	40,000,000
Earnings per share (SAR)	<b>(1.72)</b>	(0.85)
-Basic	<b>(1.72)</b>	(0.85)
-Diluted	<b>(1.72)</b>	(0.85)

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**34. SEGMENT INFORMATION**

The Company's principal business activities involve farming, retail and wholesale of sea food. Selected financial information as at 31 December 2022 and 31 December 2021, and for the years then ended, categorized by these business segments, is as follows:

Farming	Includes shrimp and fish products processing and distribution
Retail	Includes restaurant and online sales of sea food and related products
Wholesale	Trading of sea food products on wholesale basis

The management constantly analyzes the results of its operations in order to make decisions related to resource allocation and performance evaluation. The Company presents basic financial statements according to activities and products.

The analysis of sectors according to activities is represented in farm, wholesale and retail.

<b>2022</b>	<b>Farm</b>	<b>Retail</b>	<b>Wholesale</b>	<b>Total</b>
<b>Revenue</b>				
External revenue	21,695,105	23,293,234	3,827,177	<b>48,815,516</b>
Internal Revenue	(21,695,105)	106,012	21,589,093	-
<b>Expenses</b>	51,055,907	38,992,910	10,782,517	<b>100,831,334</b>
(Gain) / loss for fair value biological asset	3,592,002	-	-	<b>3,592,002</b>
Impairment of capital work in progress	1,193,800	-	-	<b>1,193,800</b>
Write-off of property, plant and equipment	691,317	-	-	<b>691,317</b>
Write-down of inventories	1,389,717	-	-	<b>1,389,717</b>
Depreciation and amortization expense	8,144,775	1,084,526	149,976	<b>9,379,277</b>
Government grant	(2,253,128)	-	-	<b>(2,253,128)</b>
Interest income	(1,526,228)	-	-	<b>(1,526,228)</b>
	62,288,162	40,077,436	10,932,493	<b>113,298,091</b>
<b>OPERATING LOSS</b>	<b>(40,593,057)</b>	<b>(16,784,202)</b>	<b>(7,105,316)</b>	<b>(64,482,575)</b>
Finance cost	1,040,035	403,370	71,765	<b>1,515,170</b>
<b>NET LOSS BEFORE ZAKAT</b>	<b>(41,633,092)</b>	<b>(17,187,572)</b>	<b>(7,177,081)</b>	<b>(65,997,745)</b>
Zakat	1,241,788	1,333,262	219,061	<b>2,794,111</b>
<b>NET LOSS FOR THE YEAR</b>	<b>(42,874,880)</b>	<b>(18,520,834)</b>	<b>(7,396,142)</b>	<b>(68,791,856)</b>
<b>As at 31 December 2022</b>				
<b>Total Assets</b>	<b>293,825,357</b>	<b>8,669,603</b>	<b>8,579,390</b>	<b>311,074,350</b>
<b>Total Liabilities</b>	<b>71,266,231</b>	<b>30,825,467</b>	<b>6,015,858</b>	<b>108,107,556</b>

<b>2021</b>	<b>Farm</b>	<b>Retail</b>	<b>Wholesale</b>	<b>Total</b>
<b>Revenue</b>				
External revenue	6,614,603	32,696,821	8,274,986	47,586,410
Internal Revenue	(6,614,603)	88,015	6,526,588	-
<b>Expenses</b>	14,838,711	26,605,303	37,718,628	79,162,642
(Gain) / loss for fair value biological asset	(12,084,910)	-	-	(12,084,910)
Impairment of capital work in progress	4,429,107	-	-	4,429,107
Write-off of property, plant and equipment	-	-	-	-
Write-down of inventories	-	-	-	-
Depreciation and amortization expense	5,811,585	1,732,036	438,347	7,981,968
Government grant	-	-	-	-
Interest income	1,064,538	-	-	1,064,538
	11,929,955	28,337,339	38,156,975	78,424,269
<b>OPERATING LOSS</b>	<b>(5,315,352)</b>	<b>4,359,482</b>	<b>(29,881,989)</b>	<b>(30,837,859)</b>
Finance cost	132,784	126,093	141,549	400,426
<b>NET LOSS BEFORE ZAKAT</b>	<b>(5,448,136)</b>	<b>4,233,389</b>	<b>(30,023,538)</b>	<b>(31,238,285)</b>
Zakat	409,575	2,024,579	512,385	2,946,539
<b>NET LOSS FOR THE YEAR</b>	<b>(5,857,711)</b>	<b>2,208,810</b>	<b>(30,535,923)</b>	<b>(34,184,824)</b>
<b>As at 31 December 2021</b>				
<b>Total Assets</b>	<b>313,779,170</b>	<b>18,092,188</b>	<b>9,426,091</b>	<b>341,297,449</b>
<b>Total Liabilities</b>	<b>21,089,082</b>	<b>38,921,732</b>	<b>10,017,559</b>	<b>70,028,373</b>

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

---

**35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**35.1. Currency risk**

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates, foreign currency risk arises when future commercial transactions, assets and liabilities are recognized in a currency other than the Saudi Riyals. Management monitors the risks of fluctuations in exchange rates closely and on an ongoing basis, and based on its experience and market reactions, management does not believe that it is necessary to hedge against foreign exchange risks as most of the foreign exchange risks are relatively limited in the medium term.

	As at 31 December	
	2022	2021
Trade payables - USD	2,714,706	53,001
	<b>2,714,706</b>	<b>53,001</b>

**35.2. Credit risk**

It is the risk that one party will not be able to fulfill its obligations, causing financial losses to the other party. The Company does not have significant concentration of credit risk. Cash at bank and term deposits are deposited with local banks with high credit ratings. Trade and other assets are mainly due from customers in the local market and are shown at their estimated collectible value. The Company has policies in place to reduce its exposure to credit risk. The book value of the financial assets represents the maximum credit risk.

**35.2.1 Incorporation of forward-looking information**

The Company incorporates forward-looking information into both its assessment of whether the credit risk of a receivable has increased significantly since its initial recognition and its measurement of ECL. The economic scenario used includes the key indicators of Gross Domestic Product (GDP) forecast and Inflation Rate forecast and Government Expenditure forecast.

The Company always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

	As at 31 December	
	2022	2021
Cash at bank	1,769,879	2,532,442
Investment carried at amortized cost	44,383,323	95,084,892
Restricted cash deposits	31,225,667	-
Trade receivables	3,414,657	5,051,454
Other assets	5,176,936	2,231,126
	<b>85,970,462</b>	<b>104,899,914</b>

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**35.2. Credit risk (continued)**

**Aging of trade receivables is as follows:**

The following table details the risk profile of trade receivables based on the Company's provision matrix. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer segments.

	<b>2022</b>			<b>2021</b>		
	<b>Carrying amount before ECL</b>	<b>ECL</b>	<b>%</b>	<b>Carrying amount before ECL</b>	<b>ECL</b>	<b>%</b>
0-30 days	<b>1,197,713</b>	<b>55,985</b>	<b>5%</b>	1,422,205	37,592	5%
31-90 days	<b>713,880</b>	<b>104,861</b>	<b>11%</b>	2,944,150	66,567	5%
<b>Credit-impaired</b>						
91 and above	<b>5,632,677</b>	<b>3,968,767</b>	<b>60-100%</b>	3,490,151	2,700,893	50-100%
<b>Total</b>	<b>7,544,270</b>	<b>4,129,613</b>		7,856,506	2,805,052	5%

**Calculation of loss allowance**

When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

If the ECL rates on trade receivables between 0 to 30 days past due had been 3% per cent higher (lower) as of December 2022, the loss allowance on trade receivables would have been SAR 0.036 million (2021: SAR 0.043 million) higher (lower).

If the ECL rates on trade receivables between 31 and 90 days past due had been 3% per cent higher (lower) as of December 2022, the loss allowance on trade receivables would have been SAR 0.021 million (2021: SAR 0.088 million) higher (lower).

The following is the credit rating of the banks that the Company deals with and their balance as on 31 December 2022

<b>Credit rating</b>	<b>As at 31 December</b>	
<b>Bank balances</b>	<b>2022</b>	<b>2021</b>
Baal	<b>316,379</b>	152,817
B1	<b>73,300</b>	1,690,582
A3	<b>1,380,200</b>	3,445,473
	<b>1,769,879</b>	5,288,872

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**Credit rating (continued)**

<u>Term deposits and restricted cash deposits</u> <u>balances</u>	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
A3	<b>64,509,990</b>	95,084,892
B1	<b>11,099,000</b>	-
	<b>75,608,990</b>	95,084,892

Bank balances and term deposits are placed with banks with sound credit ratings which are given in note 35.2. Bank balances, term deposit, restricted cash deposits and other assets are considered to have low credit risk. Based on management impairment assessment, Expected Credit Loss (ECL) in respect for them as at the valuation date was immaterial.

**35.3. Liquidity risk**

It is the risk that the Company will encounter difficulties in obtaining the necessary financing to meet obligations associated with financial instruments. Liquidity risk may arise when the inability to sell a financial asset quickly at a value close to its fair value. Liquidity risk is managed through regular monitoring of the adequacy of liquidity available to meet the Company's financial obligations. The Company's approach to managing liquidity is to ensure that it has sufficient liquidity to meet its liabilities when due, under normal and established conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following table summarizes the Company's financial liabilities in the related maturity companies based on the remaining period at the balance sheet date and up to the contractual maturity date. The amounts shown in the table are the contractual undiscounted cash flows.

<b>31 December 2022</b>	<b>As at 31 December</b>			
	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1 year to 5 years</b>	<b>More than 5 years</b>
Long-term borrowings	<b>24,217,410</b>	<b>2,331,570</b>	<b>21,885,840</b>	-
Short-term borrowings	<b>10,073,467</b>	<b>10,073,467</b>	-	-
Trade and other payables	<b>29,206,821</b>	<b>29,206,821</b>	-	-
Shareholder's compensation and subscription to priority right shares	<b>13,414,275</b>	<b>13,414,275</b>	-	-
Lease liabilities	<b>17,498,327</b>	<b>4,176,491</b>	<b>2,026,207</b>	<b>11,295,628</b>
	<b>94,410,300</b>	<b>59,202,624</b>	<b>23,912,047</b>	<b>11,295,628</b>

<b>31 December 2021</b>	<b>As at 31 December</b>			
	<b>Carrying amount</b>	<b>Less than 1 year</b>	<b>1 year to 5 years</b>	<b>More than 5 years</b>
Long-term borrowings	4,722,800	1,418,480	3,304,320	-
Short-term borrowings	-	-	-	-
Trade and other payables	30,142,119	30,142,119	-	-
Shareholder's compensation and subscription to priority right shares	13,424,457	13,424,457	-	-
Lease liabilities	8,035,604	3,403,280	5,691,905	824,387
	<b>56,324,980</b>	<b>48,388,336</b>	<b>8,996,225</b>	<b>824,387</b>

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

**35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**35.4. Fair value**

The financial assets and liabilities that are not measured at fair value and are carried at amortized cost have short-term maturity, whereby, its book value approximates its fair value and therefore it does not include fair value information for these financial instruments.

The Company's principal financial liabilities include trade and other payables and borrowings. The Company's principal financial assets consist of cash and cash equivalent, trade receivables, prepayments and other assets, and term deposits. The main financial risks arising from the Company's financial instruments are market risk, credit risk, liquidity risk, currency risk and concentration risk. Management reviews and conforms to policies to manage these risks.

**35.5. Market risk**

It is the risk of fluctuation in a financial instrument due to changes in prices prevailing in the market, such as foreign exchange rates and interest rates, which affects the Company's income or the value of its financial instruments. Market risk management aims to manage and control exposure to market risk within acceptable limits while maximizing returns. There has been no change in the Company's exposure to market risks or the way in which these risks are managed and how they are measured.

**35.6. Interest rate risk**

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company is exposed to interest rate risk on its interest-bearing assets and liabilities, which mainly consist of term deposits measured at variable rate and borrowings.

	As at 31 December	
	2022	2021
Investments carried at amortized cost	44,383,323	95,084,892
Restricted cash deposit	31,225,667	-
Long-term borrowings	20,354,533	-
Short-term borrowings	10,073,467	-
	<b>106,036,990</b>	<b>95,084,892</b>

Includes both which measured at variable rate and interest free.

		Increase / decrease in basis points of interest rates	Effect on income of the year
31 December 2022	SAR	+100	451,810
	SAR	-100	(451,810)
31 December 2021	SAR	+100	950,849
	SAR	-100	(950,849)

**35.7. Capital risk management.**

The Company manages its capital to ensure that that the Company will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2021.

The capital structure of the Company consists of net debt and equity of the Company.

Debt is defined by the Company as long- and short-term borrowings and lease liabilities as disclosed in note 9, note 19 and note 21. Net debt is defined as debt after deducting cash and cash equivalents (including cash and bank balances). Equity includes capital, reserves and retained earnings.

The Company is not subject to any externally imposed capital requirements. The Company's board of directors reviews the capital structure on periodic basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital.

**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

---

**35. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**35.7. Capital risk management (continued)**

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

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
Debt	<b>51,789,204</b>	12,758,404
Cash and cash equivalents	<b>(1,853,173)</b>	(5,332,894)
Net debt	<b>49,936,031</b>	7,425,510
Equity	<b>202,966,794</b>	271,269,076
Net debt to equity ratio	<b>16%</b>	3%

**36. FAIR VALUES 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 Company 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 Company uses market observable data as far as possible. Fair values are categorized 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 Company's financial assets consist of cash and bank balances, investment, restricted cash deposits and other assets, its financial liabilities consist of trade payables, financial facilities and other liabilities.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.



**SAUDI FISHERIES COMPANY**  
**(A SAUDI JOINT STOCK COMPANY)**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**  
**(All amounts in Saudi Riyals unless otherwise stated)**

---

**36. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)**

All financial assets and liabilities are measured at amortized cost except investment carried at FVTPL. The carrying amounts of all other financial assets and financial liabilities measured at amortized cost approximate to their fair values.

31 December 2022	Fair value Level			Total
	1	2	3	
FINANCIAL ASSET				
Financial assets at fair value through profit or loss	33,545	-	-	33,545
31 December 2021	Fair value Level			Total
	1	2	3	
FINANCIAL ASSET				
Financial assets at fair value through profit or loss	33,545	-	-	33,545

The above financial assets and financial liabilities are measured at fair value at the end of each reporting period.

**37. SIGNIFICANT EVENTS**

Based on the Royal Decree No. 41355 dated 10 Ramadan 1433H to allocate the two plots of land in Riyadh and Jeddah and transfer their ownership from the Ministry of Agriculture to the Company in exchange for an increase in the Public Investment Fund's share in the Company's capital at the market value.

The Company's current head office land and building in Riyadh is provided by the government without any rental payments. During the year 2022, the ownership of Riyadh land has been transferred to the Company, but it is still not recorded in the Company's books as of 31 December 2022, as the Company is currently waiting for the completion of procedures for including the value of the land within Company's capital as stipulated by the Royal Decree, subject to completion of other necessary legal formalities from the relevant authorities.

**38. RECLASSIFICATION OF PRIOR YEAR FIGURES**

Certain comparative information has been reclassified to conform the current period presentation.

**39. SUBSEQUENT EVENTS**

There have been no significant subsequent events since the year-end that require disclosure or adjustment in these financial statements except for the decision of the board of directors for using the fair valuation model for the remeasurement of investment properties whose impact will be recognized in the results of second quarter of 2023.

**40. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were approved and authorized for issue on 6 Ramadan 1444H (corresponding to 28 March 2023) by the Board of Directors of the Company.