



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

**THE CONDENSED INTERIM FINANCIAL STATEMENTS
AND REVIEW REPORT
FOR THE NINE MONTHS PERIOD ENDED
30 SEPTEMBER 2018**

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

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

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

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

Independent Auditors' Report On Review Of Condensed Interim Financial Statements

The Shareholders
National Agriculture Development Company (NADEC)
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 30 September 2018 condensed interim financial statements of **National Agriculture Development Company – A Saudi Joint Stock Company** ("the Company") which comprise:

- the condensed statement of financial position as at 30 September 2018;
- the condensed statement of profit or loss for the three-month period and nine-month periods ended 30 September 2018;
- the condensed statement of comprehensive income for the three-month period and nine-month periods ended 30 September 2018;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2018;
- the condensed statement of cash flows for the nine-month period ended 30 September 2018; and
- the notes to the condensed interim financial statements.

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

Scope of review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2018 condensed interim financial statements of **National Agriculture Development Company (NADEC) – A Saudi Joint Stock Company** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

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

Abdullah Hamad Al Fozan
License No.: 348

Riyadh on: 30 Safar 1440H
Corresponding to: 8 November 2018





	Note	30 September 2018 (Unaudited) SAR	31 December 2017 (Audited) SAR
Assets			
Non-Current Assets			
Property, Plant and Equipment	8	2,214,202,508	2,313,655,521
Intangible Assets		8,586,845	9,566,440
Biological Assets		502,506,433	482,372,981
Equity Investment at FVOCI	4	4,324,000	4,324,000
Capital Work in Progress		190,550,953	210,071,810
Total Non-Current Assets		2,920,170,739	3,019,990,752
Current Assets			
Biological Assets		40,776,852	34,698,907
Inventory		670,005,190	632,157,879
Biological Assets - Held for Sale		21,085,923	22,525,130
Trade and Other Receivables		527,238,653	344,056,734
Cash in Hand and at Banks		83,479,308	40,719,547
Total Current Assets		1,342,585,926	1,074,158,197
Total Assets		4,262,756,665	4,094,148,949
Equity and Liabilities			
Equity			
Share Capital	5	847,000,000	847,000,000
Statutory Reserve		180,499,041	180,499,041
Other Reserve		(80,787)	(80,787)
Retained Earnings		447,522,373	397,899,078
Total Equity		1,474,940,627	1,425,317,332
Non-Current Liabilities			
Murabaha and Long-Term Loans	9	761,627,735	1,073,893,414
Deferred Income		14,879,274	15,773,301
Employee Benefits Obligation		166,056,771	166,876,242
Total Non-Current Liabilities		942,563,780	1,256,542,957
Current Liabilities			
Trade and Other Payables		621,245,120	404,886,418
Murabaha and Long-Term Loans - Current Portion	9	1,154,797,217	941,981,854
Dividend Payables		33,653,805	33,842,272
Zakat Provision		35,556,116	31,578,116
Total Current Liabilities		1,845,252,258	1,412,288,660
Total Liabilities		2,787,816,038	2,668,831,617
Total Equity and Liabilities		4,262,756,665	4,094,148,949

The accompanying notes 1 to 13 are an integral part of these condensed interim financial statements
The condensed interim financial statements appearing on pages (1) to (17) were approved by the Board of Directors
and were signed on its behalf by

Naseer

Syed Mohammad Naseer Ali
Chief Financial Officer

Eng. Abdulaziz Bin Mohamed Al Babtain

Eng. Abdulaziz Bin Mohamed
Al Babtain
Chief Executive Officer

Raed Abdullah Ismail Ismail

Raed Abdullah Ismail Ismail
Board Member



	Note	Three Months ended		Nine Months ended	
		30 September 2018 (Unaudited) SAR	30 September 2017 (Unaudited) SAR	30 September 2018 (Unaudited) SAR	30 September 2017 (Unaudited) SAR
Sales	10	574,704,921	510,760,115	1,608,505,184	1,571,339,588
Cost of Sales		(353,441,732)	(331,602,511)	(1,012,322,896)	(1,005,759,166)
Gross Profit		221,263,189	179,157,604	596,182,288	565,580,422
Selling and Distribution Expenses		(137,698,559)	(133,985,863)	(393,030,960)	(414,954,378)
General and Administrative Expenses		(24,580,127)	(18,935,393)	(85,223,276)	(70,526,076)
Reversal/ (Loss) of Impairment on Trade Receivables		(3,178,756)	(627,029)	(5,227,339)	(2,382,034)
Other (Expenses)/ Income, net		(1,317,044)	(1,284,086)	(8,275,366)	15,456,122
Total Expenses		(166,774,486)	(154,832,371)	(491,756,941)	(472,406,366)
Operating Profit		54,488,703	24,325,233	104,425,347	93,174,056
Finance cost		(17,863,946)	(13,642,387)	(50,659,585)	(49,470,387)
Profit before Zakat		36,624,757	10,682,846	53,765,762	43,703,669
Zakat		(1,490,467)	6,643,322	(4,142,467)	3,845,770
Net profit for the period		35,134,290	17,326,168	49,623,295	47,549,439
Earnings per share					
Net profit for the period attributable to ordinary shareholders		35,134,290	17,326,168	49,623,295	47,549,439
- Basic	7	0.41	0.20	0.59	0.56
- Diluted		0.41	0.20	0.59	0.56
Weighted average number of shares outstanding during the period		84,700,000	84,700,000	84,700,000	84,700,000

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Eng. Abdulaziz Bin Mohamed
Al Babtain
Chief Executive Officer

Raed Abdullah Ismail Ismail
Raed Abdullah Ismail Ismail
Board Member



	Three Months ended		Nine Months ended	
	30 September 2018	30 September 2017	30 September 2018	30 September 2017
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	SAR	SAR	SAR	SAR
Net profit for the period	35,134,290	17,326,168	49,623,295	47,549,439
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income for the period	35,134,290	17,326,168	49,623,295	47,549,439
Attributable to Ordinary Shareholders	35,134,290	17,326,168	49,623,295	47,549,439

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Raed Abdullah Ismail Ismail
Board Member

SK

The National Agricultural Development Company (NADEC)
A Saudi Joint Stock Company
Condensed Statement of Changes in Equity for the nine-months period ended 30 September 2018



	Share Capital	Statutory Reserves	Other Reserves	Retained Earnings	Total Shareholders' Equity
	-----SAR-----				
Balance at 1 January 2017 (Audited)	847,000,000	176,504,899	32,738,000	361,951,799	1,418,194,698
Profit for the period	-	-	-	47,549,439	47,549,439
Other Comprehensive Loss for the period	-	-	-	-	-
Total Comprehensive Income	-	-	-	47,549,439	47,549,439
Other Reserve	-	-	(22,996,000)	-	(22,996,000)
Transactions with Shareholders	-	-	(22,996,000)	-	(22,996,000)
Balance at 30 September 2017 (Unaudited)	847,000,000	176,504,899	9,742,000	409,501,238	1,442,748,137
Balance at 1 January 2018 (Audited)	847,000,000	180,499,041	(80,787)	397,899,078	1,425,317,332
Profit for the period	-	-	-	49,623,295	49,623,295
Other Comprehensive Income for the period	-	-	-	-	-
Total Comprehensive Income	-	-	-	49,623,295	49,623,295
Transactions with Shareholders	-	-	-	-	-
Balance at 30 September 2018 (Unaudited)	847,000,000	180,499,041	(80,787)	447,522,373	1,474,940,627

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[Signature]

Eng. Abdulaziz Bin Mohamed
Al Babtain
Chief Executive Officer

[Signature]

Raed Abdullah Ismail Ismail
Board Member

The National Agricultural Development Company (NADEC)
A Saudi Joint Stock Company
Condensed Statement of Cash Flows for the nine-months period ended 30 September 2018



	30 September 2018 (Unaudited) SAR	30 September 2017 (Unaudited) SAR
Cash flows from Operating Activities		
Profit for the period	49,623,295	47,549,439
Adjustments for		
Depreciation	205,829,804	244,946,434
Amortization	1,869,969	1,855,098
Zakat Expense	4,142,467	3,847,668
Reversal of Zakat Provision	-	(7,693,438)
Deferred Income	(894,027)	(1,036,749)
Employee Benefits Obligations (End of Service)	17,331,087	18,048,674
Impairment of Trade Receivables	5,227,338	2,382,037
Inventory Provision	4,640,245	8,692,000
Finance Cost	50,659,585	49,470,387
Profit on sale of Available for Sale Investment	-	(22,000,000)
Loss on sale of Property Plant and Equipment and Biological Assets	22,454,849	19,825,624
	360,884,612	365,887,174
Changes in		
Inventory and Biological Assets - Held for Sale	(41,048,349)	(95,323,842)
Biological Assets (In-progress)	(6,077,945)	(6,213,451)
Trade and Other Receivables	(188,409,257)	(75,091,802)
Trade and Other Payables	216,358,702	(88,788,403)
Cash Generated from Operating Activities	(19,176,849)	(265,417,498)
Zakat Paid	(164,467)	(1,297,980)
Employee Benefits Paid	(18,150,558)	(14,280,303)
Net Cash Generated from Operating Activities	323,392,738	84,891,393
Cash flows from Investing Activities		
Acquisition of Property, Plant and Equipment and Biological Assets	(183,758,792)	(366,280,630)
Proceed from sales of Property, Plant and Equipment and Biological Assets	33,903,326	37,942,472
Proceed from sales of Equity Investment at FVTOCI	-	25,000,000
Payments for Capital Work in Progress	19,520,857	53,223,080
Net Cash Used in Investing Activities	(130,334,609)	(250,115,078)
Cash flows from Financing Activities		
Proceeds from Murabaha, Long-Term Loans and Bank Facilities	130,556,110	422,960,203
Repayment of Murabaha, Long-Term Loans and Bank Facilities	(224,619,050)	(211,950,068)
Finance Cost Paid	(56,046,961)	(54,530,243)
Dividend Paid	(188,467)	(197,514)
Net Cash (Used in)/ Generated from Financing Activities	(150,298,368)	156,282,378
Net Change in Cash and Cash Equivalents	42,759,761	(8,941,307)
Cash and Cash Equivalents at the beginning of period	40,719,547	59,424,762
Cash and Cash Equivalents at the end of period	83,479,308	50,483,455

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Board Member



1. The Company and its Operations

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

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

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

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

Riyadh - Kingdom of Saudi Arabia

P.O. Box 2557 Riyadh 11461

2. Basis of Preparation

2.1 Statement of Compliance

The Condensed Interim Financial Statements of the Company has been prepared in accordance with the requirements of the International Accounting Standard 34 - "Interim Financial Reporting" and provisions of and directives as issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The Condensed Interim Financial Statements should be read in conjunction with the Financial Statements of the Company for the year ended 31 December 2017 (last annual financial statements). These Condensed Interim Financial Statements do not include all the information required to prepare a complete set of financial statements prepared in accordance with International Financial Reporting Standards (IFRS). However, the changes in accounting policies and explanatory notes that have been established to explain the significant events and transactions have been included to understand the changes in the financial position and performance of the Company since the previous year's financial statements.

In this set of Condensed Interim Financial Statements IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" have been applied. Changes to significant accounting policies are described in **Note 3 (B-1 and B-2)**. The Company has applied these standards following modified retrospective approach as permitted under the transitional provisions of these standards. Accordingly, the comparatives are not restated and are continued to be presented under the requirements of IAS 39 and IAS 18. Policies for both periods have been included in note 3.

2.2 Basis of Measurement

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

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

2.3 Significant Accounting Estimates, Judgements and Assumptions

In preparing these Condensed Interim Financial Statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of Revenues, Expenses, Assets and Liabilities, and the accompanying Disclosures, and the disclosure of Contingent Liabilities. Actual amounts may differ from these estimates. Estimates and assumptions are based on past experience and the factors that include projections of future events that are appropriate to the circumstances and used to determine carrying amount of Assets and Liabilities that are independent of other sources. These estimates and assumptions are continually reviewed and evaluated.

Revisions to the accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The significant judgments made by management in applying the Company's accounting policies are consistent with those applied in the last annual Financial Statements, except for new significant judgments and key sources of estimates related to the application of IFRS 15 and IFRS 9, which are described in Note 3.



2. Basis of Preparation – (Continued)

2.4 Functional and Presentation Currency

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

3. Significant Accounting Policies

Except as described below in Note B, the accounting policies applied in the preparation of Company's Condensed Interim Financial Statements are in accordance with the notes to the Company's Financial Statements for the year ended 31 December 2017.

A. New Standards and amendments issued and not yet effective:

Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Company has not early adopted them in preparing these Condensed Interim Financial Statements.

1. IFRS 16 Leases

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

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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

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

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

No significant impact is expected on Company's finance leases.

Transition

As a lessee, the Company can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all its leases. The Company currently plans to apply IFRS 16 initially on 1 January 2019. The Company has not yet determined which transitional approach to apply.



3. Significant Accounting Policies – (Continued)

2. Other Amendments

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

- changes to IFRSs (2014-2016) Amendments to IFRS 1 and IAS 28.
- classification and measurement of payment on an equity basis (amendments to IFRS 2).
- changes to IAS 40 - Investment Property, amendments in transfers.
- the sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28);
- IFRIC 22 Foreign Currency Transactions and Prior Study

3. New Standards and Amendments issued but not applicable

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

- Annual Improvements to IFRSs (2015-2017), Amendments to IFRS 3 and 11 and IAS 12 and 23.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term benefits in associates and joint ventures (amendments to IAS 28).
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19)
- IFRIC 23 uncertainty of income tax processes.

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

Except as described below, the accounting policies applied in these Condensed Interim Financial Statements are the same as those applied to the Financial Statements for the year ended December 31, 2017. It is expected that the accounting policies applied to these Condensed Interim Financial Statements are the same as those that will be applied to the Financial Statements for the year ended December 31, 2018. The Company has initially adopted IFRS 15 Revenue from Contracts with Customers (see B-1 below) and IFRS 9 Financial Instruments (see B-2 below) effective 1 January 2018.

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

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

B-1 IFRS 9 Financial Instruments

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

1. Classification and measurement of financial assets and financial liabilities

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

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

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



3. Significant Accounting Policies – (Continued)

B. Changes in Significant Accounting Policies – (Continued)

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

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

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

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

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

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

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

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

	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Financial Assets			SAR	SAR
Equity Investment	Available for sale investments	Equity Investment at FVTOCI	4,324,000	4,324,000
Trade Receivables	Loans and Receivables	Amortized cost	170,634,046	170,634,046
Cash and bank balances	Loans and Receivables	Amortized cost	40,719,547	40,719,547
			215,677,593	215,677,593



3. Significant Accounting Policies – (Continued)

B. Changes in Significant Accounting Policies – (Continued)

2. Impairment of Financial Assets

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

Credit-impaired Financial Assets

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

Presentation of Impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade receivables are presented separately in the Condensed Interim Statement of Profit or Loss. As a result, the Company reclassified impairment losses amounting to SAR 2,049 thousand, recognised under IAS 39, from ‘Selling and Distribution Expense’ to ‘impairment loss on trade receivables in the Condensed Interim Statement of Profit or Loss for the three months period and nine-months period ended 30 September 2017.

3. Transition

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

B-2 IFRS 15 Revenue from Contracts with Customers

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

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

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



3. Significant Accounting Policies – (Continued)

B. Changes in Significant Accounting Policies – (Continued) Transition

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

Implications of the application of the IFRS 15

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

4. Investments in Equity Instruments at Fair Value through Other Comprehensive Income (FVTOCI)

	Ownership %	30 September 2018 SAR	31 December 2017 SAR
National Company for Seed Production (Seeds)	13.99%	2,670,000	2,670,000
United Dairy Farms Company	8.26%	1,654,000	1,654,000
United Poultry Marketing Company (under liquidation)	7.30%	500,000	500,000
Total Equity Investments at FVTOCI		4,824,000	4,824,000
Impairment of Equity Investments at FVTOCI		(500,000)	(500,000)
Net Equity Investments at FVTOCI		4,324,000	4,324,000

Equity Investments at Fair Value through Other Comprehensive Income (FVTOCI) are measured in accordance with IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement.

5. Share Capital

The Company's Share Capital as at 30 September 2018 amounted to SAR 847 million (31 December 2017: SAR 847 million) consisting of 84.7 million (31 December 2017: 84.7 million) fully paid and issued shares of SAR 10 each.

6. Segment Reporting

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



6. Segment Reporting – (Continued)

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

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

The following is a summary of the business segments as at 30 September 2017

	Dairy and Food	Farm	Elimination of Inter-Segment Sales	Total
	SAR	SAR	SAR	SAR
Sales				
External Sales	1,425,665,273	145,674,315	-	1,571,339,588
Internal Sales between Segments	14,736,400	200,778,588	(215,514,988)	-
Total	1,440,401,673	346,452,903	(215,514,988)	1,571,339,588
Income/(Expenses)				
Depreciation and Amortization	180,133,057	66,668,475	-	246,801,532
Operating Profit	56,454,420	36,719,636	-	93,174,056
Finance Cost	(37,643,776)	(11,826,611)	-	(49,470,387)
Profit/ (Loss) before Zakat	18,810,644	24,893,025	-	43,703,669
Zakat	3,950,000	(104,230)	-	3,845,770
Profit for the year	22,760,644	24,788,795	-	47,549,439
Total Assets	3,078,260,951	1,095,968,572	-	4,174,229,523

7. Earnings per Share

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

	Three Months ended		Nine - Months ended	
	30	30	30	30
	September	September	September	September
	2018	2017	2018	2017
Profit attributable to Shareholders' (SAR)	35,134,290	17,326,168	49,623,295	47,549,439
Weighted Average Number of Ordinary Shares (#)	84,700,000	84,700,000	84,700,000	84,700,000
EPS (SAR/Share)	0.41	0.20	0.59	0.56



8. Property, Plant and Equipment

The net book value of Property, Plant and Equipment as at 30 September 2018 amounted to SAR 2.21 billion (31 December 2017: SAR 2.3 billion). During the nine-months period ended 30 September 2018, the Company acquired and disposed off Property, Plant and Equipment amounting to SAR 74 million and nil respectively.

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

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

The lands include land granted by the State under the Royal Decree issued on 17 Shawwal 1410 A.H. with a carrying value of SR 120.9 million as at 31 December 2017, all of which have been revived and used by the Company. As per the Royal Decree, the Company has an exemption from the granted land conditions such as the required planted area and the time frame required to revive the land. A request has been submitted for the transfer of ownership of these lands which has not yet been decided by the State, however, as the Company has actual and beneficial ownership of land the same has been included in the assets of the Company.

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

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

b) Land expropriated by Saudi Aramco

Saudi ARAMCO expropriated part of NADEC's project land at Haradh, whose costs are included in the Property, Plant and Equipment. As a result, there is a dispute with ARAMCO on the amount of compensation, and this case is still pending. However, final ruling has been issued on 3 Muharram 1435H (corresponding to 6 November 2013) by Khobar Court, proving that ARAMCO should quit this portion of land. ARAMCO has filed a case before the Public Court in Al-Ahsaa and a primary ruling was issued to dismiss the case filed by the ARAMCO. ARAMCO has appealed on this ruling, and after filing the case before the court of appeal in Riyadh, the Court of Appeal requested to raise the case before His Royal Highness to inquire on certain aspects of the case. A guidance to form a committee discussing the matter and been issued by His Royal Highness and report to His Royal Highness. The Company is still waiting for response of the committee formed by His Royal Highness deciding on the matter.

9. Murabaha and Long-Term Loans

	Loan Currenc	Interest rate	Due date	30 September 2018	31 December 2017
				Book Value	Book Value
				SAR 'Million	SAR 'Million
Islamic Banking Facilities	SAR	SAIBOR + Bank margin	2018-2023	1,908	2,006.4
Agricultural Development Fund	SAR	-	2018-2027	8.4	9.4
Total Loans				1,916.4	2,015.8

The weighted average markup on bank loans during the nine-months period ended 30 September 2018 was 1.45% on per annum basis, however, the rates varied between medium and short-term loans.



9. Murabaha and Long-Term Loans – (Continued)

9.1 Islamic Banking Facilities (Murabaha) from Local Banks

The borrowing under Islamic banking facilities (Murabaha) have been granted against a promissory note issued by the Company. These facilities are in accordance with the maturities of facilities given by each bank and are mostly of a revolving nature. The amount of unused facilities as at 30 September 2018 amounted to SAR 1,849 million. (31 December 2017: SAR 1,696 million).

9.2 Agricultural Development Fund Loan

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

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

The balance of these loans from Agricultural Development Fund on 30 September 2018 amounted to SAR 8.4 million (31 December 2017: SAR 9.4 million).

Loans are presented in the Condensed Interim Financial Statements as follows:

	30 September 2018	31 December 2017
	SAR'000	SAR'000
Non-current liabilities		
Secured Loans	7,445.5	8,437.0
Unsecured Loans	754,182.2	1,065,457.0
	<u>761,627.7</u>	<u>1,073,894.0</u>
Current liabilities		
Secured Loans	991.3	990.1
Unsecured Loans	1,153,806.0	940,991.0
	<u>1,154,797.3</u>	<u>941,981.1</u>

10. Sales

The main sources of the Company's revenues from contracts with customers include dairy products, juices and food products, as well as sales of animal feed and other animal products. The control of the products is transferred to the customer as soon as it is delivered to him and acknowledgment has been taken.

The nature and effect of initially applying IFRS 15 on the Company's Condensed Interim Financial Statements are disclosed in Note 3B-2. However, there is no financial impact as a result of adopting IFRS 15 by the Company.

	30 September 2018	30 September 2017
	SAR	SAR
Saudi Arabia	1,392,102,719	1,329,192,549
The GCC	201,664,680	239,165,070
Sudan	14,737,785	2,981,969
Total	<u>1,608,505,184</u>	<u>1,571,339,588</u>



11. Fair Value

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

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

	<u>30 September 2018</u>	<u>31 December 2017</u>
	SAR	SAR
Financial Assets at Fair Value		
Equity Investment at FVOCI	4,324,000	4,324,000
Total Financial Assets at Fair Value	<u>4,324,000</u>	<u>4,324,000</u>
Financial Assets at Amortised Cost		
Trade and Other Receivables	527,238,653	344,056,734
Cash and Bank Balances	83,479,308	40,719,547
Total Financial Assets at Amortised Cost	<u>610,717,961</u>	<u>384,776,281</u>
Total Financial Assets	<u>615,041,961</u>	<u>389,100,281</u>
	<u>30 September 2018</u>	<u>31 December 2017</u>
	SAR	SAR
Financial Liabilities		
Financial Liabilities at Amortised Cost		
Trade and Other Payables	616,075,990	399,717,288
Loans	1,916,424,952	2,015,875,268
Total Financial Liabilities at Amortised Cost	<u>2,532,500,942</u>	<u>2,415,592,556</u>
Total Financial Liabilities	<u>2,532,500,942</u>	<u>2,415,592,556</u>

12. Significant Event

The National Agricultural Development Company ("NADEC") entered into a final purchase agreement dated 25-7-1439H (corresponding to 25-03-2018) to acquire 100% shares in Al Safi Danone Company ("ASD") from the partners Al Safi Danone Company ("ASD") and Danone Dairy Investments Indonesia Pte Ltd ("DDII").

Under the terms and conditions of the agreement, the Company is in the process of issuing "Consideration Shares" for 44,476,257 shares of Al Safi Holding Company representing 32.16% of NADEC's Share Capital and 9,106,457 shares for Danone Investment Bank Indonesia PTI Ltd. representing 6.59% of NADEC's Share Capital. Following completion of the Transaction, the number of shares in NADEC will increase from 84,700,000 to 138,285,714, which represents an increase in the share capital of NADEC from SAR 847,000,000 to SAR 1,382,857,140. The issuance of the new shares through a Capital increase will lead to a dilution of the ownership of NADEC's shareholders at the time of the Capital increase. The resulting ownership in enlarged NADEC will represent a split of 61.25% for the existing NADEC shareholders and 38.75% for existing ASD shareholders. The value of "Consideration Shares" issued will be determined based on NADEC's share price at the date of completion of the transaction.

The Company has obtained the approval of General Authority for Competition to acquire Al Safi Danone Company (ASD) dated 18-10-1439H (corresponding to 02-07-2018).

13. Approval by the Board of Directors

These Condensed Interim Financial Statements for the nine-months period ended 30 September 2018 were approved by the Board of Directors on 28 Safar 1440 A.H. (6th Nov. 2018).