



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

**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2021**

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

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## KPMG Professional Services

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P. O. Box 92876  
Riyadh 11663  
Kingdom of Saudi Arabia  
Commercial Registration No 1010425494

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

# Independent Auditor's Report

## To the Shareholders of National Agricultural Development Company

### Opinion

We have audited the financial statements of **National Agricultural Development Company** ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended 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).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are 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 opinion.

### 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.

# Independent Auditor's Report

To the Shareholders of National Agricultural Development Company (continued)

## Key audit matters (continued)

### Revenue recognition

See Note 3 to the financial statements for the accounting policy relating to revenue recognition and Note 6 to the financial statements for the related disclosures.

#### The key audit matter

During 2021, the Company recognized total revenue of SR 2.23 billion (2020: SR 2.30 billion).

The Company's sales arrangements are on point of sales basis with the right of return provided to customers in case of expiry of product sold.

Revenue recognition is considered as a key audit matter since revenue is a key measure of Company's performance and the Company may overstate revenue by underestimating the expected sales returns considering rights available to customers under contractual arrangements.

#### How the matter was addressed in our audit

The audit procedures performed in this area, included among others:

- Obtained an understanding of the process followed by management for recognition of revenue, and assessed the design and implementation and tested the operating effectiveness of management's key internal controls over the revenue recognition process;
- Evaluated the Company's revenue recognition accounting policy, including method of estimating the sales return;
- Evaluated key contractual arrangements with customers, including customer's right to return products sold by considering relevant documentation and agreements with the customers;
- Tested a sample of sales transactions during the year and inspected the underlying goods delivery and acceptance notes to assess compliance with Company's revenue recognition accounting policy;
- Tested calculation of sales return provision at year end to assess its compliance with Company's policy for sales return provision, historical experience of sales returns and terms agreed with the customers;
- Reviewed the sales returns post year end to assess if the sales return were in line with the estimates and as per the terms of the Contracts with customers; and
- Evaluated the adequacy and appropriateness of disclosures relating to revenue and the relevant accounting policies.

# Independent Auditor's Report

To the Shareholders of National Agricultural Development Company (continued)

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report 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 will 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 when it becomes available 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, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, Board of Directors, are responsible for overseeing the Company's financial reporting process.

## 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 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.

# Independent Auditor's Report

To the Shareholders of National Agricultural Development Company (continued)

## Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 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.

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 of **National Agricultural Development Company** ("the Company").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

**KPMG Professional Services**

**Khalil Ibrahim Al Sedais**  
License No. 371

Al Riyadh, 24 Sha'aban 1443 H  
Corresponding to: 27 March 2022





	Note	31 December 2021 SAR	31 December 2020 SAR
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	13	1,809,730,755	1,963,125,942
Right-of-Use Assets	14	71,472,237	58,562,699
Capital Work in Progress	15	95,886,698	112,185,675
Biological Assets	16	685,558,308	625,491,645
Intangible Assets	17	17,958,246	8,060,361
Equity-accounted Investee	18	50,888,776	-
Equity Investment at FVOCI	18	13,022,000	7,629,000
<b>Total Non-Current Assets</b>		<b>2,744,517,020</b>	<b>2,775,055,322</b>
<b>Current Assets</b>			
Biological Assets	19	24,118,793	27,689,189
Inventory	20	452,063,962	536,562,512
Biological Assets - Available for Sale	21	35,046,943	25,112,448
Trade Receivables and Other Receivables	22	288,239,731	325,927,480
Prepayments	22	263,825,355	116,578,737
Cash and Bank Balances	23	81,918,355	68,713,854
<b>Total Current Assets</b>		<b>1,145,213,139</b>	<b>1,100,584,220</b>
<b>Total Assets</b>		<b>3,889,730,159</b>	<b>3,875,639,542</b>
<b>Shareholders' Equity and Liabilities</b>			
<b>Shareholders' Equity</b>			
Share Capital	24	1,016,400,000	1,016,400,000
Share Premium		78,719	78,719
Statutory Reserve	25	184,238,643	184,238,643
Other Reserves	26	25,204,429	22,641,853
Retained Earnings		(30,109,093)	254,919,030
<b>Total Shareholders' Equity</b>		<b>1,195,812,698</b>	<b>1,478,278,245</b>
<b>Non-Current Liabilities</b>			
Murabaha Loans and Borrowings	27	1,150,483,292	880,974,358
Lease Liabilities	14	45,298,565	29,982,682
Deferred Income		5,100,725	5,642,608
Employee Benefits Obligation	28	163,003,443	165,619,617
<b>Total Non-Current Liabilities</b>		<b>1,363,886,025</b>	<b>1,082,219,265</b>
<b>Current Liabilities</b>			
Trade and Other Payables	29	713,900,829	606,083,653
Murabaha Loans and Borrowings – Short Term	27	271,024,642	291,064,937
Murabaha Loans and Borrowings - Current Portion	27	214,995,055	318,693,328
Lease Liabilities	14	25,050,717	32,776,779
Dividend Payables	30	32,809,778	33,130,736
Provision for Zakat	31	72,250,415	33,392,599
<b>Total Current Liabilities</b>		<b>1,330,031,436</b>	<b>1,315,142,032</b>
<b>Total Liabilities</b>		<b>2,693,917,461</b>	<b>2,397,361,297</b>
<b>Total Shareholders' Equity and Liabilities</b>		<b>3,889,730,159</b>	<b>3,875,639,542</b>

The accompanying notes 1 to 37 are an integral part of these financial statements

These financial statements appearing on pages (5) to (42) were approved by the Board of Directors and were signed on its behalf by



Subrahmanyam Lingamallu  
Chief Financial Officer



Solaiman Al-Twaijri  
Chief Executive Officer



Abdulaziz Saleh Alrebdi  
Chairman

The National Agricultural Development Company (NADEC)  
A Saudi Joint Stock Company  
Statement of Profit or Loss for the year ended 31 December 2021



	Note	31 December 2021 SAR	31 December 2020 SAR
Revenue	6	2,225,089,026	2,303,059,045
Cost of Sales	7	(1,601,496,384)	(1,577,220,006)
<b>Gross Profit</b>		<b>623,592,642</b>	<b>725,839,039</b>
Selling and Marketing Expenses	8	(483,919,681)	(545,415,016)
General and Administrative Expenses	9	(148,006,154)	(111,975,325)
Impairment Losses on Trade Receivables	22	(5,230,539)	(4,309,878)
Provision for Other Receivables and Prepayments	22	(64,947,419)	-
Other (expenses)/ Income, net	10	(51,157,095)	119,882,916
Write off/ Impairment losses on Property, Plant and Equipment	13& 13.3	(81,668,883)	(96,779,538)
Write off/ Impairment losses on Capital Work in Progress	15	(1,978,062)	(2,623,087)
<b>Total Expenses</b>		<b>(836,907,833)</b>	<b>(641,219,928)</b>
<b>Operating (Loss)/ Profit</b>		<b>(213,315,191)</b>	<b>84,619,111</b>
Net gain on Derivative Financial Instruments		-	353,255
Finance cost	11	(32,011,259)	(43,601,879)
<b>(Loss)/ Profit before Zakat</b>		<b>(245,326,450)</b>	<b>41,370,487</b>
Zakat	31	(39,701,673)	(5,715,912)
<b>(Loss)/ Profit for the year</b>		<b>(285,028,123)</b>	<b>35,654,575</b>
<b>(Loss)/ Earnings per share based on profit/ loss per year attributable to ordinary shareholders</b>			
Basic and Diluted	12	(2.81)	0.35

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These financial statements appearing on pages (5) to (42) were approved by the Board of Directors and were signed on its behalf by

  
Subrahmanyam Lingamallu  
Chief Financial Officer

  
Solaiman Al-Twaijri  
Chief Executive Officer

  
Abdulaziz Saleh Alrebdi  
Chairman



		31 December 2021	31 December 2020
	Note	SAR	SAR
<b>(Loss)/ Profit for the year</b>		<b>(285,028,123)</b>	<b>35,654,575</b>
<b>Items that will not be reclassified to Profit or Loss</b>			
Re-measurement of Defined Benefit obligation	28	(2,830,424)	747,847
Movement in Equity Investment at fair value through Other Comprehensive Income (FVOCI)	18	5,393,000	1,257,000
<b>Total Items that will not be reclassified to Profit or Loss</b>		<b>2,562,576</b>	<b>2,004,847</b>
<b>Total other comprehensive income</b>		<b>2,562,576</b>	<b>2,004,847</b>
<b>Total Comprehensive (Loss)/ Income for the year</b>		<b>(282,465,547)</b>	<b>37,659,422</b>

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Subrahmanyam Lingamallu  
Chief Financial Officer

  
Solaiman Al-Twaijri  
Chief Executive Officer

  
Abdulaziz Saleh Alrebdi  
Chairman

The National Agricultural Development Company (NADEC)  
A Saudi Joint Stock Company



Statement of Changes in Shareholders' Equity for the year ended 31 December 2021

	Share Capital	Share Premium	Statutory Reserve	Other Reserves	Retained Earnings	Total Shareholders' Equity
	SAR					
<b>Balance at 1 January 2021</b>	<b>1,016,400,000</b>	<b>78,719</b>	<b>184,238,643</b>	<b>22,641,853</b>	<b>254,919,030</b>	<b>1,478,278,245</b>
Loss for the year	-	-	-	-	-	-
Other Comprehensive Income for the year	-	-	-	-	-	-
<b>Total Comprehensive Income</b>	-	-	-	2,562,576	(285,028,123)	(285,028,123)
Transfer to Statutory Reserve	-	-	-	2,562,576	(285,028,123)	(282,465,547)
<b>Balance at 31 December 2021</b>	<b>1,016,400,000</b>	<b>78,719</b>	<b>184,238,643</b>	<b>25,204,429</b>	<b>(30,109,093)</b>	<b>1,195,812,698</b>
<b>Balance at 1 January 2020</b>	<b>847,000,000</b>	-	180,673,185	20,637,006	392,167,953	1,440,478,144
Profit for the year	-	-	-	-	35,654,575	35,654,575
Other Comprehensive Income for the year	-	-	-	2,004,847	-	2,004,847
<b>Total Comprehensive Income</b>	-	-	-	2,004,847	35,654,575	37,659,422
Issue of Bonus shares (Note 24)	169,400,000	78,719	-	-	(169,338,040)	140,679
Transfer to Statutory Reserve	-	-	3,565,458	-	(3,565,458)	-
<b>Balance at 31 December 2020</b>	<b>1,016,400,000</b>	<b>78,719</b>	<b>184,238,643</b>	<b>22,641,853</b>	<b>254,919,030</b>	<b>1,478,278,245</b>

The accompanying notes 1 to 37 are an integral part of these financial statements

These financial statements appearing on pages (5) to (42) were approved by the Board of Directors and were signed on its behalf by

*L. Subrahmanyam*  
Subrahmanyam Lingamallu  
Chief Financial Officer

*Sofaïman Al-Twajiri*  
Sofaïman Al-Twajiri  
Chief Executive Officer

*Abdulaziz-Sateh Alrebbi*  
Abdulaziz-Sateh Alrebbi  
Chairman

The National Agricultural Development Company (NADEC)  
A Saudi Joint Stock Company  
Statement of Cash flows for the year ended 31 December 2021



	Note	31 December 2021 SAR	31 December 2020 SAR
<b>Cash flows from Operating Activities</b>			
(Loss)/ Profit for the year		(285,028,123)	35,654,575
<b>Adjustments for</b>			
Depreciation – Property Plant and Equipment and Biological Assets	13&16	237,995,432	260,499,269
Depreciation – Right-of-Use Assets	14	25,677,361	28,490,885
Amortization	17	6,325,699	3,590,097
Zakat Expense	31	39,701,673	5,715,912
Deferred income		(541,883)	(541,874)
Employee Benefits Obligation	28	22,068,248	22,395,722
Impairment Losses on Trade Receivables	22	70,177,958	4,309,878
Inventory Provision movement, net	20	46,898,836	18,055,548
Finance Cost	11	32,011,259	43,601,879
Income from Government Grant (net)	13.2	-	(111,805,466)
Loss on sale of Property Plant and Equipment and Biological Assets	10	45,667,246	17,490,764
Write off/ Impairment losses on Property, Plant and Equipment	13&13.3	81,668,883	96,779,538
Write off/ Impairment losses on Capital Work in Progress	15	1,978,062	2,623,087
		<b>324,600,651</b>	<b>426,859,814</b>
<b>Changes in</b>			
Inventory and Biological Assets - Available for Sale		27,665,219	(9,754,695)
Biological Assets		3,570,396	11,416,271
Trade Receivables, Prepayments and Other Receivables		(179,736,826)	(11,693,902)
Trade and Other Payables		<b>107,817,175</b>	<b>49,352,311</b>
		<b>283,916,615</b>	<b>466,179,799</b>
Zakat Paid	31	(843,857)	(1,054,715)
Employee Benefits Paid	28	(27,514,846)	(21,841,816)
<b>Net Cash from Operating Activities</b>		<b>255,557,912</b>	<b>443,283,268</b>
<b>Cash flows from Investing Activities</b>			
Acquisition of Property, Plant and Equipment, Intangible Assets and Biological Assets	13,15, 16&17	(362,303,530)	(268,300,950)
Proceeds from sales of Property, Plant and Equipment and Biological Assets		88,397,823	51,414,056
Investment in Equity-accounted Investee		(50,888,776)	-
<b>Net Cash Used in Investing Activities</b>		<b>(324,794,483)</b>	<b>(216,886,894)</b>
<b>Cash flows from Financing Activities</b>			
Proceeds from issue of Shares	24	-	140,679
Proceeds from Murabaha Loans and Borrowings		370,328,466	211,297,198
Repayment of Murabaha Loans and Borrowings		(222,932,433)	(345,790,919)
Finance Cost Paid		(30,873,591)	(50,662,007)
Payment of Lease Liabilities		(33,760,412)	(34,448,970)
Dividend Paid		(320,958)	(250,470)
<b>Net Cash from/ (Used) in Financing Activities</b>		<b>82,441,072</b>	<b>(219,714,489)</b>
<b>Net Change in Cash and Cash Equivalents</b>		<b>13,204,501</b>	<b>6,681,885</b>
Cash and Cash Equivalents at beginning of the year		68,713,854	62,031,969
<b>Cash and Cash Equivalents at end of the year</b>	23	<b>81,918,355</b>	<b>68,713,854</b>

The accompanying notes 1 to 37 are an integral part of these financial statements

These financial statements appearing on pages (5) to (42) were approved by the Board of Directors and were signed on its behalf by

Subrahmanyam Lingamallu  
Chief Financial Officer

Solaiman Al-Twaijri  
Chief Executive Officer

Abdulaziz Saleh Alrebdi  
Chairman



## 1. THE COMPANY AND ITS OPERATIONS

The National Agricultural Development Company (NADEC) (the "Company") is 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 engaged in agricultural and livestock production, reclamation of agricultural land, food processing, marketing and distribution of its products.

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

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

Riyadh - Kingdom of Saudi Arabia

P.O. Box 2557 Riyadh 11461

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

These annual Financial Statements of the Company have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia (KSA) and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

### 2.2 Basis of Measurement

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

- Equity Investments at FVOCI are valued at fair value in accordance with the requirements of IFRS 13 second level of valuation method.
- Biological assets are measured at fair value less cost to sell except when fair value cannot be measured reliably.
- Derivative financial instruments are measured at Fair Value through Profit or Loss.
- Employee defined benefit obligations is recognized at the present value of future obligations using the Projected Unit Credit method.

### 2.3 Functional and Presentation Currency

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

### 2.4 Comparatives

When necessary, prior year comparatives have been regrouped on a basis consistent with current year classification.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### 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 2021 and earlier application is permitted; however, the Company has not opted for early adoption of the same in preparing these annual Financial Statements. These amended standards and interpretations are not expected to have a significant impact on the financial statements.

- Onerous Contracts – Cost of fulfilling a contract (Amendments to IAS 37).
- Interest Rate Benchmark Reform -Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).
- COVID-19 Related Rent Concessions (Amendments to IFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Annual Improvements to IFRS Standards 2018-2020.
- Disclosure of Accounting Policies (Amendments to IAS1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

### **3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

#### **B. Changes in Significant Accounting Policies**

During the year there were no changes in the accounting policies.

#### **C. Cash and Cash Equivalents**

Cash and cash equivalents consist of Cash on hand, Cash with banks and other short-term liquid investments/deposits with original maturities of three months or less which are available to use without any restrictions.

#### **D. Trade and Other Receivables**

Trade and Other receivables are stated at amortized cost less Expected Credit Loss as per IFRS 9. Bad debts once identified are written off against the related provisions.

#### **E. Inventories**

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Inventory cost includes costs of purchase (including taxes, transport, and handling etc.) net of trade discounts received, costs of conversion (including fixed and variable manufacturing overheads) and any other costs incurred in bringing the inventories to their present location and condition. Provision is made, when necessary, for obsolete, slow moving and defective inventory.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. The amount of any write-down of inventories to net realisable value and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

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

Property, Plant and Equipment are recognized as assets if, and only if:

- a. It is probable that future economic benefits associated with the item will flow to the entity; and
- b. The cost of the item can be measured reliably.

Property, Plant and Equipment are initially recognized at cost and subsequently stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Subsequent and additional costs to existing asset are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Finance costs on borrowings, to finance the construction of the qualifying assets, are capitalized during the period that is required to substantially complete and prepare the qualifying asset for its intended use. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria is satisfied. All other repair and maintenance costs are recognized in the profit or loss when incurred. The items of property, plant and equipment are subject to impairment test whenever there is a substantial evidence for impairment. The present value of the expected cost for the decommissioning of the asset after its use, is included in the cost of the respective asset if the recognition criteria for a provision are met.



### 3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

#### F. Property, Plant and Equipment – (CONTINUED)

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets (except for land) as follows:

Description	Number of years
Concrete Buildings	50
Pre-fabricated Building	5-10
Wells and Civil works	7-50
Machinery and Equipment	7-25
Tanks and Silos	7-30
Agricultural Equipment	8-25
Vehicles and Trucks	4-8
Tools	5-10
Office Furniture	5-10
Bearer Plants	20
Leasehold Improvements	As per Lease Agreement

Property, Plant and Equipment are derecognized upon disposal or when no future economic benefits are expected from their use or disposal. The gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss during the period when the asset is derecognized.

The residual values, useful lives and methods of depreciation of Property, Plant and Equipment are reviewed at each financial year end and adjusted prospectively, where appropriate.

#### G. 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.

#### H. Biological Assets

Biological Assets are the herd of productive and non-productive cows as well as the Biological Assets acquired for sale, including crops in the growth stage that have not yet reached the harvest point. Each of these items is presented separately in the Statement of Financial Position.

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

In case the fair value of biological assets cannot be measured reliably, it is measured at historical cost less accumulated depreciation and accumulated impairment losses. The Company's management has not been able to obtain reliable data that can be relied upon as inputs or indicators that support the measurement of biological assets at fair value as per the Income, replacement cost or market approach of IFRS 13 – Fair Value Measurement. If such data are available in the future, the Company will adjust the measurement of the biological assets to fair value rather than cost.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows

Description	Number of years
Biological Assets (Cows)	5

### **3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

#### **I. Intangible Assets**

Internally generated Intangible Assets, excluding capitalized development costs, are not capitalized and the related expenditure is recognized in the Statement of Profit or Loss when it is incurred.

Intangible Assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets i.e., 5-10 years.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Statement of Profit or loss in the expense category consistent with the function of the intangible assets.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the Statement of Profit or loss when the asset is derecognized.

#### **J. Trade and Other Payables**

Trade and Other payables are recognized based on the net payable amount or the expected payment for goods and services received whether invoiced by supplier or not.

#### **K. Provisions**

Provision is recognized if, and only if a present obligation (legal or constructive) has arisen as a result of a past event (the obligating event), payment is probable ('more likely than not'), and when the amount can be estimated reliably. An obligating event is an event that creates a legal or constructive obligation and, therefore, results in an entity having no realistic alternative but to settle the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. Provisions are reviewed at the end of each reporting year and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a Contingent Liability, unless the probability of outflow of economic benefits is unreliable. Contingent liabilities, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Company, are not recognized in the financial statements but are disclosed as Contingent Liabilities unless the possibility of an outflow of economic resources is considered unreliable.

#### **L. Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### **As a lessee**

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

### **3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

#### **L. Leases– (Continued)**

##### **As a lessee (continued)**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### **Short-term leases and leases of low-value assets**

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **M. Borrowing Costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) form part of the cost of that asset (refer 13.1). No borrowing costs are capitalized during idle periods.

All other borrowing costs are recognized as an expense in the Statement of Profit or Loss.

#### **N. Segment Reporting**

An operating segment is a group of assets and processes that deliver products or services that are subject to risks and rewards that differ from those of other operating segments. Operating segments are segmented according to their geographical scope and each sector's performance is reviewed by the Company's decision makers. These sectors may operate within a specific economic environment that is subject to risks and rewards different from those of sectors operating in other economic environments.

### 3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

#### O. Government Grants

Government grants, including non-monetary grants at fair value, shall not be recognized until there is reasonable assurance that, the entity will comply with the conditions attaching to them; and the grants will be received. When the grant relates to an expense item, it is recognized in Statement of Profit or Loss on a systematic basis over the periods that the costs which it is intended to compensate, are expensed. Where the grant relates to an asset, it is recognized on Statement of Financial Position as Deferred Income and is amortized in equal amounts over the expected useful life of the related asset.

The Company has elected to present the grant in the Statement of Financial Position as deferred income, which is recognized in Statement of Profit or Loss on a systematic and rational basis over the useful life of the asset. When the Company receives grants of non-monetary assets, the asset and the grant are recorded at fair value and released to Statement of Profit or Loss over the expected useful life of the asset, based on the pattern of consumption of the benefits of the underlying asset.

#### P. Statutory Reserve

In accordance with the Regulations for Companies in Kingdom of Saudi Arabia and Company's Articles of Association, the Company is required to transfer 10% of its Net Income (Profit for the year) to a statutory reserve until such reserve equals 30% of its Share Capital. This Statutory Reserve is not available for distribution to shareholders. However, it can be used to cover the Company's losses or to increase its Capital.

#### Q. Impairment of Non-Financial Assets

Non-financial assets (other than biological assets measured at fair value, inventories) are reviewed by the Company at each reporting date to identify circumstances indicating occurrence of impairment loss or reversal of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss or reversal of impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. It is determined for an individual asset, when it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of sell, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

#### R. Foreign Currency Transaction

Foreign currency transactions are translated to Saudi Riyal ('SAR') at the exchange rates prevailing at the dates of the respective transactions. At Statement of Financial Position date, balances of monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyal ('SAR') at the prevailing exchange rates on that date. Gains and losses resulting from changes in exchange rates are recognized in the Statement of Profit or Loss.

#### S. Revenue Recognition

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates. The Company recognizes revenue when a customer obtains control of the goods at a point in time i.e. on delivery and acknowledgement of goods.

Products are sold principally on a sale or return basis. Allowances for expected sales returns are calculated based on the forecasted return of expired products. Expected sales returns are netted off against revenue with the corresponding impact in Trade and Other Payables for cash sales and Trade Receivables for credit sales.

### 3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

#### S. Revenue Recognition – (Continued)

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

#### T. Share Capital

Shares are classified as equity and are recorded at their face value. Incremental costs, if any, directly attributable to the issue of new shares, are recognized in Equity as a deduction from the proceeds.

#### U. Dividends

Dividends are recognized in the Financial Statements in the period in which it is approved by General Assembly Meeting.

#### V. Expenses

Selling and marketing expenses are those expenses arising from the Company's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding Cost of Sales, Finance Cost and Zakat are classified as General and Administrative Expenses. Allocations between Cost of Sales, Selling and Distribution and General and Administration Expenses, when required, are made on a consistent basis.

#### W. Zakat

The Company is subject to Zakat according to the regulations of the Zakat, Tax and Customs Authority "ZATCA". Zakat provision is estimated and charged to the Statement of Profit or Loss. Any differences in the estimates are recognized when the final assessment is approved by "ZATCA", such differences are recognized in the Statement of Profit or Loss in the year in which the final assessment is approved by "ZATCA".

#### X. Employee Benefits

##### a) Saudi Employees

Pension and other social benefits for the Company's employees are covered by the applicable social insurance scheme of the countries in which they are employed and are considered as a defined contribution scheme. The employees and employer contribute monthly to the scheme on a fixed-percentage-of-salaries basis.

##### b) Foreign Employees

Foreign employees on limited-term contracts are entitled to end of service payments under the respective labour laws of the countries in which they are employed, based on length of service and final remuneration. Provision for this unfunded commitment has been made by calculating the full liability, had all employees left at the reporting date.

##### i. Defined Contribution Plan

Obligations for contributions to defined contribution plans are expensed as the related service is provided and the contributions paid in advance are recognized as an asset to the extent that the cash is recovered, or future payments reduced.

##### ii. Defined Benefit Plan

The net liability of the Company in respect of benefit plans is identified separately for each plan and is calculated by estimating the value of the future benefits realized by the employees in current and prior periods and determining that amount and the fair value discount on any of the plan's assets. The defined benefit obligations are calculated



### 3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

#### X. Employee Benefits – (Continued)

##### ii. Defined Benefit Plan – (Continued)

annually by a qualified actuarial expert using the Projected Unit Credit method. Where the calculation results in potential assets of the Company, the recognized asset is limited to the present value of the economic benefits available in the form of any future recoveries from the benefit plan or reductions in future contributions to the plan. The calculation of the present value of economic benefits considers current financing requirements. The amounts of the net identifiable benefit obligations that include actuarial gains and losses, return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest) are recognized directly in Statement of Other Comprehensive Income. The Company determines the net interest expense (or income) on the Net Liabilities (Net Assets) determined for the period by applying the discount rate used to measure the obligation and benefits identified at the beginning of the annual period of the obligation (or the asset), considering any changes in net liabilities.

Net interest expense and other expense related to benefit plans are recognized in the Statement of Profit or Loss. When the benefits of the plan change or when the plan is amortized, the change in the benefits relating to the past service or the gain or loss resulting from the reduction in profit or loss is recognized immediately. The Company recognizes the gain or loss arising from settlement of the defined benefits plan when the settlement occurs.

##### iii. Other Long-Term Employee Benefits

The net obligation of the Company in respect of other long-term employee benefits is the amount of future benefits to which the employees are entitled in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in the Statement of Profit or Loss in the period in which they arise.

#### Y. Financial instruments

##### I. Non-Derivative Financial Instruments

##### a. Non-Derivative Financial Assets

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses are either recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company initially recognizes financial assets on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Company is recognized as a separate asset or liability.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

#### Y. Financial instruments – (Continued)

##### I. Non-Derivative Financial Instruments – (Continued)

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

The Company has the following non-derivative financial assets;

##### Financial Assets at Amortized Cost

Financial assets held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest (SPPI), are measured at amortized cost. Gains or losses on debt investments are subsequently measured at amortized cost and are recognized in the Statement of Profit or Loss when the asset is derecognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method. The Company classifies its Trade and Other receivables and Cash and Bank Balances under this category.

##### Financial Assets at FVOCI

Financial assets held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI.

Debt investments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in the Statement of Profit or Loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to the Statement of Profit or Loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized 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 recognized in OCI and are never reclassified to profit or loss.

The Company has classified its Equity investment in other Companies as FVOCI.

##### b. Non-Derivative Financial Liabilities

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

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

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

Non-derivative financial liabilities of the Company comprise of bank borrowings, lease liabilities and trade and other payables.

#### II. Derivative Financial Instruments

All derivatives do not qualify as hedging instruments and are therefore held and accounted for as trading derivatives. These derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in the Statement of Profit or Loss.

#### **4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS**

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

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

##### **4.1. 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 over the next five years. 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.

##### **4.2. Fair Value Measurement of Financial Instruments including derivative financial instruments**

When the fair value of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be measured based on quoted prices in active markets, their fair value is determined using valuation techniques including the DCF (discounted cash flows) model that includes the use of the present value of expected cash flows from such assets or using other methods as provided for in IFRS 13. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as Liquidity risk, Credit risk and Volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

##### **4.3. Impairment of Non-Derivative Financial Assets**

The Company recognizes loss allowances for ECLs (Expected Credit Loss) on Financial Assets measured at amortized cost i.e. Trade Receivables of the Company.

The Company assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its financial assets carried at amortized cost.

For trade receivables, the Company applies the simplified approach, which requires expected lifetime losses to be recognized from initial recognition of the receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Company and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate.

Other financial assets such as employees' receivables, bank balances have low credit risk and the impact of applying ECL is immaterial.

#### **4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS – (CONTINUED)**

##### **4.4. Provision for Slow Moving Inventory Items**

The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the Statement of Financial Position date to the extent that such events confirm conditions existing at the end of year. (Note 20)

##### **4.5. Useful Lives of Property, Plant and Equipment**

The management determines the estimated useful lives of Property, Plant and Equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges are adjusted in current and future periods, if any.

##### **4.6. Defined Benefit Plans (Employee Benefits)**

The cost of Defined Benefit Pension Plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The underlying bonds are further reviewed for quality. Those having excessive credit spreads are removed from the analysis of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific countries. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases, and pension increase are based on expected future inflation rates for the respective countries.

Further details about post-employment benefit obligation is provided in Note 29.

##### **4.7. COVID -19 update**

In response to the spread of the Covid-19 in territories where the Company operates and its resulting disruptions to the social and economic activities in those markets during the last 2 years, NADEC's management has proactively assessed its impacts on its operations and in particular the management is monitoring the current surge in cases due to new variant – Omicron outbreak. The management has taken a series of preventive measures, including the creation of Corona task force team, to ensure the health and safety of its employees, customers, consumers and wider community as well as to ensure the continuity of supply of its products throughout its markets. Access of fully vaccinated individuals to farming and manufacturing facilities has been restored.

The management believes that any lockdown measures being reintroduced will not materially affect the Company's operations and the management continues to monitor the surge of new variant closely although at this time management is not aware of any factors that are expected to change the impact of pandemic on the Company's operations during 2022 and beyond.

##### **4.8. Judgements**

The Company has evaluated its Biological Assets at cost as there is no active market to obtain the fair value of these assets and there are no indications that fair value can be reliably determined. Equity Investments are measured at fair value and any changes in fair value are recognized through OCI. The cumulative change in the fair value of those investments is reported under Other Reserves under Equity in Statement of Financial Position. (Note 16,18 and 19)

## 5. OPERATING SEGMENTS

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 operating segments separately for making decisions about resource allocation and performance evaluation. The performance of the segment is evaluated on a profit or loss basis and is measured in a manner consistent with the profit or loss recognized in the Financial Statements.

The following is a summary of the operating segments as at and for the year ended 31 December 2021

	Dairy and Food	Agriculture	Elimination of Inter-Segment Sales	Total
	SAR	SAR	SAR	SAR
<b>Revenue</b>				
External Revenue	2,122,809,752	102,279,274	-	2,225,089,026
Inter-Segment Revenue	26,674,995	60,041,832	(86,716,827)	-
<b>Total Revenue</b>	<b>2,149,484,747</b>	<b>162,321,106</b>	<b>(86,716,827)</b>	<b>2,225,089,026</b>
<b>Expenses</b>				
Depreciation and Amortization	244,781,410	25,217,082	-	269,998,492
Write off/ Impairment losses on Property, Plant and Equipment	(50,783,841)	(30,885,042)	-	(81,668,883)
Write off/ Impairment losses Capital Work in Progress	-	(1,978,062)	-	(1,978,062)
Provision for Other Receivables and Prepayments	(64,947,419)	-	-	(64,947,419)
<b>Operating Loss</b>	<b>(61,529,135)</b>	<b>(151,786,056)</b>	<b>-</b>	<b>(213,315,191)</b>
Finance Cost	(29,823,394)	(2,187,865)	-	(32,011,259)
<b>Loss before Zakat</b>	<b>(91,352,529)</b>	<b>(153,973,921)</b>	<b>-</b>	<b>(245,326,450)</b>
Zakat	(39,665,809)	(35,864)	-	(39,701,673)
<b>Loss for the year</b>	<b>(131,018,338)</b>	<b>(154,009,785)</b>	<b>-</b>	<b>(285,028,123)</b>
<b>Total Assets</b>	<b>3,394,701,313</b>	<b>495,028,846</b>	<b>-</b>	<b>3,889,730,159</b>

The following is a summary of the operating segments as at and for the year ended 31 December 2020

	Dairy and Food	Agriculture	Elimination of Inter-Segment Sales	Total
	SAR	SAR	SAR	SAR
<b>Revenue</b>				
External Revenue	2,140,856,016	162,203,029	-	2,303,059,045
Inter-Segment Revenue	21,380,800	59,035,870	(80,416,670)	-
<b>Total Revenue</b>	<b>2,162,236,816</b>	<b>221,238,899</b>	<b>(80,416,670)</b>	<b>2,303,059,045</b>
<b>Expenses</b>				
Depreciation and Amortization	255,047,979	37,141,996	-	292,189,975
Impairment losses on Property, Plant and Equipment	-	(96,779,538)	-	(96,779,538)
Impairment losses on Capital Work in Progress	-	(2,623,087)	-	(2,623,087)
<b>Operating Profit/(loss)</b>	<b>123,123,631</b>	<b>(38,504,520)</b>	<b>-</b>	<b>84,619,111</b>
Finance Cost	(42,024,754)	(1,577,125)	-	(43,601,879)
Loss on Derivative Financial Instruments	-	-	353,255	353,255
<b>Profit/ (Loss) before Zakat</b>	<b>81,098,877</b>	<b>(40,081,645)</b>	<b>353,255</b>	<b>41,370,487</b>
Zakat	(5,400,000)	(315,912)	-	(5,715,912)
<b>Profit/ (Loss) for the year</b>	<b>75,698,877</b>	<b>(40,397,557)</b>	<b>353,255</b>	<b>35,654,575</b>
<b>Total Assets</b>	<b>3,197,034,264</b>	<b>678,605,278</b>	<b>-</b>	<b>3,875,639,542</b>



## 5. OPERATING SEGMENTS – (CONTINUED)

The following is the summary of revenue allocated to geographical segments:

	31 December 2021	31 December 2020
	SAR	SAR
Saudi Arabia	1,993,315,937	2,049,653,929
Other Countries	231,773,089	253,405,116
	<u>2,225,089,026</u>	<u>2,303,059,045</u>

## 6. REVENUE

	31 December 2021	31 December 2020
	SAR	SAR
Dairy and Food revenue	2,087,678,893	2,119,224,570
Agricultural Products revenue	50,272,756	113,092,426
Sales of Calves and Bulls	86,332,524	69,767,506
Others	804,853	974,543
	<u>2,225,089,026</u>	<u>2,303,059,045</u>

The main sources of the Company's revenues from contracts with customers include dairy and food sales as well as agricultural products, sales of calves and others. The control of the products is transferred to the customer at actual time of delivery and upon acknowledgment.

## 7. COST OF SALES

	31 December 2021	31 December 2020
	SAR	SAR
Material Consumed	1,139,771,296	1,112,123,256
Government Subsidies *	(50,715,006)	(54,409,515)
	<u>1,089,056,290</u>	<u>1,057,713,741</u>
Depreciation – Property Plant and Equipment and Biological Assets **	201,779,120	217,087,603
Employee Benefits	159,383,497	170,958,002
Maintenance and Repairs expenses	57,950,636	56,604,817
Provision for Slow Moving Inventories, net (Note 20)	46,899,277	18,055,548
Fees and Government Expenses	15,458,478	15,999,152
Rent and Lease Expenses	8,938,724	14,749,802
Insurance Expenses on Property, Plant and Equipment	5,707,454	4,065,750
Depreciation – Right-of-Use Assets	858,732	1,001,866
Utility Expenses	596,816	191,601
Amortization	394,051	387,566
Other Expenses	14,473,309	20,404,558
	<u>1,601,496,384</u>	<u>1,577,220,006</u>

\* Government subsidies receivables for the import of certain animal feed items which are supported by the Government of Saudi Arabia have been recognized against the cost of materials based on consumption.

\*\* Net of Deferred Income (Government Grant on Property, Plant and Equipment) 2021: SAR 0.3 Million (2020: SAR 0.3 Million).

## 8. SELLING AND MARKETING EXPENSES

	31 December 2021	31 December 2020
	SAR	SAR
Employee Benefits	213,043,144	224,026,420
Marketing and Distribution Expenses	121,385,401	159,393,147
Depreciation – Property Plant and Equipment	33,827,905	40,307,276
Fees and Government Expenses	31,378,223	36,104,585
Depreciation – Right-of-Use Assets	24,818,629	27,489,019
Maintenance and Repairs expense	18,190,824	19,418,243
Utility Expenses	18,080,220	16,068,509
Rent and Lease Expenses	6,899,920	8,294,665
Insurance Expenses on Property, Plant and Equipment	4,230,558	3,543,630
Amortization	317,213	307,588
Other Expenses	11,747,644	10,461,934
	<b>483,919,681</b>	<b>545,415,016</b>

## 9. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2021	31 December 2020
	SAR	SAR
Employee Benefits	62,423,595	71,541,685
Professional and Consultancy Expenses	45,366,366	10,705,145
Information Technology Expenses	23,426,129	15,133,953
Amortization	5,614,435	2,894,943
Depreciation – Property Plant and Equipment	2,388,407	2,714,114
Fees and Government Expenses	1,490,048	2,219,625
Utility Expenses	1,283,371	946,718
Insurance Expenses on Property, Plant and Equipment	318,920	111,138
Other Expenses	5,694,883	5,708,004
	<b>148,006,154</b>	<b>111,975,325</b>

## 10. OTHER INCOME, NET

	31 December 2021	31 December 2020
	SAR	SAR
Sales of Ancillary Products	10,511,798	13,023,515
Scrap Sales and other miscellaneous income	6,551,759	2,722,379
Dividend Income from Equity Investments at FVOCI	300,000	-
Government Grant Income * (Refer note 13.2)	-	109,877,371-
Net Foreign Exchange (Loss)/ Gain	(22,853,406)	11,750,415
Loss on Sale of Property, Plant and Equipment and Biological Assets, net	(45,667,246)	(17,490,764)
	<b>(51,157,095)</b>	<b>119,882,916</b>

\* Grant income is net of the expenses of SAR. 1.9 Million incurred towards land survey charges for obtaining the title deeds.



## 11. FINANCE COST

	<b>31 December 2021</b>	31 December 2020
	<b>SAR</b>	SAR
Interest expense on Murabaha Loans	<b>23,102,845</b>	33,757,555
Interest expense on Lease Liabilities	<b>2,763,334</b>	3,242,259
Other Finance Charges	<b>6,145,080</b>	6,602,065
	<b><u>32,011,259</u></b>	<u>43,601,879</u>

## 12. EARNINGS PER SHARE

	<b>31 December 2021</b>	31 December 2020
(Loss)/ Profit attributable to Ordinary Shareholders (Saudi Riyal - SAR)	<b><u>(285,028,123)</u></b>	<u>35,654,575</u>
Weighted Average Number of Ordinary Shares (# of Shares)	<b><u>101,640,000</u></b>	<u>101,637,444</u>
(Loss)/ Earnings per Share (SAR/Share)	<b><u>(2.80)</u></b>	<u>0.35</u>

### 13. PROPERTY, PLANT AND EQUIPMENT

Description	Land	Concrete Buildings	Prefabricated Buildings	Wells and Civil works	Machinery and Equipment	Tanks and Silos	Agricultural Equipment	Vehicles and Trucks	Tools	Office Furniture	Bearer Plants	Leasehold Improvements	Capital Parts	Total
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
<b>Cost</b>														
<b>At 1 January 2020</b>	182,996,013	574,716,198	463,168,555	482,056,101	1,895,790,625	76,197,732	187,983,496	323,981,432	375,779,439	193,299,793	117,943,351	4,603,790	1,725,199	4,880,241,724
Addition	111,805,466	1,335,973	9,071,593	1,406,870	20,853,764	734,798	1,207,495	2,065,930	6,943,663	6,628,272	24,341,028	-	-	186,394,852
Disposals (-)	-	-	-	-	-	-	-	(12,436,032)	(7,540,318)	-	-	-	-	(19,976,350)
<b>At 31 December 2020</b>	294,801,479	576,052,171	472,240,148	483,462,971	1,916,644,389	76,932,530	189,190,991	313,611,330	375,182,784	199,928,065	142,284,379	4,603,790	1,725,199	5,046,660,226
Additions (+)	-	7,270,712	686,194	1,572,871	38,500,592	-	1,152,065	4,161,539	9,152,537	5,088,299	49,111,594	-	-	116,696,403
Adjustments/ reclassifications on physical verification*	-	153,374,785	(182,406,380)	(48,933,728)	3,274,931	(4,543,453)	(12,920,899)	(56,022,161)	(50,853,957)	(41,851,508)	(22,011,205)	103,525	(54,847)	(262,844,897)
Disposals (-)	-	(313,334)	(1,496,229)	(254,420)	(2,247,013)	(8,208)	-	(25,447,838)	(19,509,431)	(484,599)	-	-	-	(49,761,072)
<b>At 31 December 2021</b>	294,801,479	736,384,333	289,023,732	435,847,693	1,956,172,898	72,380,869	177,422,157	236,302,870	313,971,932	162,680,257	169,384,769	4,707,315	1,670,352	4,850,750,660
<b>Accumulated Depreciation and Impairment</b>														
<b>At 1 January 2020</b>	-	140,675,932	301,269,319	285,404,021	1,092,647,388	65,660,587	152,802,933	271,821,233	290,803,894	146,270,839	43,820,275	4,565,041	124,340	2,795,865,802
Depreciation during the year (+)	-	12,842,671	27,583,373	9,036,673	82,189,492	2,675,153	8,819,382	18,771,566	25,909,048	16,512,343	5,877,181	21,929	197,518	210,436,329
Disposals(-)	-	-	-	-	-	-	-	(12,024,634)	(7,522,751)	-	-	-	-	(19,547,385)
Impairment (+)	-	8,908,716	3,551,505	44,991,998	21,830,929	785,563	9,757,378	2,800,030	421,579	162,226	3,569,614	-	-	96,779,538
<b>At 31 December 2020</b>	-	162,427,319	332,404,197	339,432,692	1,196,667,809	69,121,303	171,379,693	281,368,195	309,611,770	162,945,408	53,267,070	4,586,970	321,858	3,083,534,284
Depreciation during the year (+)	-	11,886,917	24,552,419	8,808,108	76,123,127	2,071,572	5,988,542	13,288,445	24,266,402	13,216,361	6,682,481	3,457	73,178	186,961,009
Adjustments/ reclassifications on physical verification*	-	90,884,467	(137,204,298)	(13,113,636)	30,340,176	(2,859,494)	(17,915,359)	(51,923,252)	(35,139,325)	(39,330,826)	(5,716,904)	103,524	216,363	(181,658,564)
Disposals(-)	-	(174,990)	(1,496,229)	(228,024)	(2,219,394)	(8,208)	-	(24,000,974)	(19,219,978)	(469,027)	-	-	-	(47,816,824)
<b>At 31 December 2021</b>	-	265,023,712	218,256,089	334,899,139	1,300,911,718	68,325,172	159,452,872	218,732,412	279,518,868	136,361,916	54,232,651	4,693,951	611,399	3,041,019,905
<b>Net Book Value</b>														
<b>At 31 December 2021</b>	294,801,479	471,360,621	70,767,643	100,948,554	655,261,180	4,055,697	17,969,286	17,570,457	34,453,064	26,318,341	115,152,118	13,364	1,058,953	1,809,730,755
<b>At 31 December 2020</b>	294,801,479	413,624,852	139,835,951	144,030,279	719,976,580	7,811,227	17,811,298	32,243,135	65,571,014	36,982,657	89,017,309	16,820	1,403,341	1,963,125,942

The Company was granted a loan from the Saudi Agricultural Development Fund to finance and expand the olive trees and olive pressing plant in Al Jouf with the guarantee against the property and equipment of Al-Sali Center, including the land on which it is built and the additions and expansions thereof as well as some of the vehicles, machinery and equipment owned by the Company, with a net book value of SAR 28.90 Million, as at 31 December 2021 (31 December 2020: SAR 51.10 Million). (Note 28).

\* During the current year the management has performed physical verification of fixed assets with external consultants and as result of physical verification the management identified idle assets with net book value of SAR 40.26 million and accordingly considered for impairment. Also, assets with net book value of SAR 41.41 million were not available for use and accordingly written off and reclassifications were done due to componentization of assets.

### 13. PROPERTY, PLANT AND EQUIPMENT – (CONTINUED)

#### 13.1 Capitalization of Borrowing Cost

The value of borrowing costs capitalized during the year ended 31 December 2021 amounted to SAR 8.4 million (31 December 2020: SAR 10.4 million). Effective interest rate was used to determine the amount of borrowing cost eligible for capitalization. (Refer Note 28).

#### 13.2 Land

The following matters related to Lands held by the Company at the reporting date:

##### **Land under the Company's control but pending transfer of legal title (Carrying value of land is SAR 66.60 million)**

As at 31 December 2021, the Company held SAR 66.60 million worth of land received from the Government awaiting transfer of legal titles for which the conditions of the grant were fulfilled in earlier years.

The details of the land and government grant are as follows:

- The Company originally received certain area of land in Hail, Wadi Al Dawasir and Al Jouf as a conditional non-monetary grant under the Ministry of Environment, Water and Agriculture under the Royal Order M/41 issued on 17 Shawwal 1401H (corresponding to 17 August 1981) hereinafter referred to as "Royal Order of 1981" which stated that the Company will be entitled to the ownership of the land which is revived by the Company. Until 31 March 2020, the Company had recognized portion of these lands at a value of SAR 120.86 million for which the conditions of the grant were met.
- On 2 Dhul-Qadah 1441H (corresponding to 23 June 2020), the Company received a letter from Ministry of Environment, Water and Agriculture under number 600/1057/1438 regarding issuance of Royal Order No. 58378 dated 28 Shawwal 1441H (corresponding to 20 June 2020) hereinafter referred to as "Royal Order of 2020" confirming the area to which Company is entitled.
- Based on the Royal Order of 2020, the Company has recorded the additional land granted for Al Jouf and Wadi Al Dawasir at its current fair value and has derecognized the unconfirmed land area of Hail from the books which has resulted in a net gain of SAR 111.8 million and have increased the carrying value of land to SAR 232.67 million during the year 2020.
- During the current year the Company received the legal titles of lands in Wadi Al Dawasir and Al Jouf. The management is reasonably certain that the legal title of land in Hail also will be transferred to the Company in due course upon completion of the regulatory procedures.

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

As per the Royal Decree number (151) dated 5 Shawwal 1401H (corresponding to 5 August 1981), NADEC was granted the Haradh project. This included a piece of agricultural land, fixed and movable facilities and assets as well as the energy sources being part of the site. Notary Public at Haradh issued land title deed to NADEC through title deed number (333801001781).

The Supreme Court cancelled the land title deed issued to the NADEC by Notary Public at Haradh through its decision dated 18 Rabi ul Awal 1442H (corresponding to 4 November 2020), with an understanding of reissuing the title deed for the area occupied by NADEC and is under NADEC's use.

Based on discussions with the officials of Ministry of environment, water, and agriculture, NADEC's management is reasonably certain that the legal title of this land under NADEC's use and control will be issued to the NADEC after obtaining all the necessary approvals from related government authorities. Consequently, the new title deed will result in reduction of NADEC's assets, due to removal of a limited portion of the land, which is currently being occupied by ARAMCO and a small piece of land in the southern area which is not suitable for agricultural production and consequently is not being used by NADEC.

The financial Impact of the change in land area is not ascertainable as at the reporting date in the absence of definitive court order however management estimates that the impact will not be material.



### 13. PROPERTY, PLANT AND EQUIPMENT – (CONTINUED)

#### 13.3 Impairment losses on Property, Plant and Equipment

NADEC started operations in Sudan (the Sudan Operations) in 2010 with an aim to expand its Agri business beyond GCC to meet the increasing needs of green forage. In 2011, NADEC leased a parcel of 60,000 acres of dry land from Sudan government to develop it for the purpose of producing green forage and started converting dry land into agricultural land from the year 2014 with the expectation that this land would be available for commercial production of agricultural produce within a timeframe of 8 to 10 years.

Until 31 December 2020, NADEC has revived 7,000 acres of land, however, NADEC continued to incur financial losses from the Sudan Operations due to low yield, collapsing wells, diesel shortage for running irrigation pumps and pivots and high cost of transportation from site to NADEC.

The Sudan Operations currently do not show any positive cash flows over the life of the project and there were no plans for further investment in expansion of operations in Sudan.

Based on the projected cashflows of Sudan Operations, the management carried out an impairment assessment and considered the viability of continuing operations in Sudan as well as the possibility of transfer of operations and disposal of Sudan Operations' assets in light of the contractual obligation under the land lease agreement while determining the recoverable amount.

Based on the impairment assessment of Sudan Operations the management concluded that the project's assets were not recoverable through sale or transfer without Sudan Government's approval and continuation of Sudan Operations will also not provide any positive cash flows and accordingly decided to impair the project completely. Consequently, an impairment equal to SAR 99.40 million (Property, Plant and Equipment: SAR 96.78 million and Capital Work in Progress: SAR 2.62 million) was recognized during the previous year which reduced the Sudan Operations value to zero.

### 14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

#### i. Reconciliation of carrying value of Right-of-Use Assets

	Buildings	Vehicles and Trucks	Machinery	Total
	SAR	SAR	SAR	SAR
<b>Carrying value at 1 January 2020</b>	17,274,292	52,439,425	-	69,713,717
Additions during 2020	6,103,492	932,404	10,496,752	17,532,648
Lease reclassified	(192,781)	-	-	(192,781)
Depreciation for 2020	(4,759,683)	(22,729,336)	(1,001,866)	(28,490,885)
<b>Carrying value at 31 December 2020</b>	18,425,320	30,642,493	9,494,886	58,562,699
Additions during 2021	1,690,326	39,365,839	-	41,056,165
Lease cancellations	(2,420,338)	(48,929)	-	(2,469,267)
Depreciation for 2021	(3,261,160)	(21,557,470)	(858,731)	(25,677,361)
<b>Carrying value at 31 December 2021</b>	14,434,148	48,401,933	8,636,155	71,472,237

#### ii. Reconciliation of Lease liabilities

	Total
	SAR
<b>Carrying value at 1 January 2020</b>	76,626,305
Additions on account of new leases in 2020	17,532,648
Interest expense for 2020	3,242,259
Lease reclassified	(192,781)
Payment of lease liability during 2020	(34,448,970)
<b>Carrying value at 31 December 2020</b>	62,759,461
Additions on account of new leases in 2021	41,056,165
Interest expense for 2021	2,763,334
Lease cancellations	(2,469,267)
Payment of lease liability during 2021	(33,760,412)
	70,349,282
<b>Lease liability – Current portion</b>	25,050,717
<b>Lease liability – Non-current portion</b>	45,298,565

## 15. CAPITAL WORK IN PROGRESS

	31 December 2021	31 December 2020
	SAR	SAR
Capital Work in Progress	97,864,760	114,808,762
Written off During current year	(1,978,062)	-
Impairment related to Sudan project (Note 13.3)	-	(2,623,087)
	<b>95,886,698</b>	<b>112,185,675</b>

## 16. BIOLOGICAL ASSETS (NON-CURRENT)

The Company's Biological Assets consist of the dairy herd, which are classified as milk producing cows or non-milk producing cows. The non-productive cows include milk cows, which are raised up to the production stage. Such herd on the production of raw milk are converted into the category of productive cows and are depreciated at an estimated useful life of five years. Their value increases as they age, based on milk production or production of offspring. The cattle breeding is exposed to disease risk. Therefore, the Company separates all the other farms and activities from cattle farms to prevent the transmission of diseases to the herd, and the herd is subject to very strict medical standards and precautionary measures are in place to prevent such diseases from transmission or infection.

The Company's Biological Assets as at 31 December 2021 and their changes during the year, and the comparative amounts are as follows;

Biological Assets	Cows	Heifers	Total
	SAR	SAR	SAR
Cost as at 1 January 2020	378,331,610	253,839,704	632,171,314
Additions through Birth/ Conversion	140,947,193	191,010,720	331,957,913
Exclusions as a result of Sale or Death or Conversion	(109,947,356)	(140,947,193)	(250,894,549)
Cost at 31 December 2020	409,331,447	303,903,231	713,234,678
Accumulated depreciation at 1 January 2020	79,575,935	-	79,575,935
Depreciation for the year 2020	50,062,940	-	50,062,940
Depreciation on disposals during the year 2020	(41,895,842)	-	(41,895,842)
Accumulated Depreciation as at 31 December 2020	87,743,033	-	87,743,033
Net book value at 31 December 2020	321,588,414	303,903,231	625,491,645
<b>Cost as at 1 January 2021</b>	<b>409,331,447</b>	<b>303,903,231</b>	<b>713,234,678</b>
Additions through Birth/ Conversion	172,710,478	239,921,482	412,631,960
Exclusions as a result of Sale or Death or Conversion	(197,692,715)	(172,710,478)	(370,403,193)
<b>Cost at 31 December 2021</b>	<b>384,349,210</b>	<b>371,114,235</b>	<b>755,463,445</b>
Accumulated depreciation at 1 January 2021	87,743,033	-	87,743,033
Depreciation for the year 2021	51,576,306	-	51,576,306
Depreciation on disposals during the year 2021	(69,414,202)	-	(69,414,202)
<b>Accumulated depreciation at 31 December 2021</b>	<b>69,905,137</b>	<b>-</b>	<b>69,905,137</b>
<b>Net book value at 31 December 2021</b>	<b>314,444,073</b>	<b>371,114,235</b>	<b>685,558,308</b>

## 17. INTANGIBLE ASSETS

	<b>Software and Licenses</b>
	<b>SAR</b>
<b>Cost</b>	
<b>Cost as at 1 January 2020</b>	31,622,373
Additions during the year - 2020	-
<b>Cost as at 31 December 2020</b>	31,622,373
Additions during the year - 2021	<b>16,223,584</b>
<b>Cost as at 31 December 2021</b>	<b>47,845,957</b>
<b>Amortization</b>	
Accumulated Amortization at January 1, 2020	19,971,915
Amortization for the year - 2020	3,590,097
<b>Accumulated Amortization as at 31 December 2020</b>	23,562,012
Amortization for the year - 2021	6,325,699
<b>Accumulated Amortization as at 31 December 2021</b>	<b>29,887,711</b>
<b>Net Book value</b>	
<b>As at 31 December 2021</b>	<b>17,958,246</b>
<b>As at 31 December 2020</b>	8,060,361

## 18. INVESTMENT

EQUITY ACCOUNTED INVESTEE	Ownership (%)	31 December 2021 SAR	31 December 2020 SAR
Food Security Holding Company	10.00%	50,888,776	-
		<b>50,888,776</b>	-

During the current year the company has entered into joint venture with OLAM International Limited, Al Rajhi International for Investment Company and Abdulaziz Alajlan & Sons Company for Commercial and Real Estate Investment acquisition of the Second Milling Company.

EQUITY INVESTMENTS AT FVOCI	Ownership (%)	Historical Cost SAR	31 December 2021 SAR	31 December 2020 SAR	Change in Fair Value 2021 SAR	Change in Fair Value 2020 SAR
National Company for Seed Production (Seeds)	13.99%	4,128,000	7,121,000	4,860,000	2,261,000	2,774,000
United Dairy Farms Company	8.26%	600,000	5,901,000	2,769,000	3,132,000	(1,517,000)
United Poultry Marketing Company (under liquidation)	7.30%	500,000	500,000	500,000	-	-
<b>Total</b>		5,228,000	13,522,000	8,129,000	5,393,000	1,257,000
Impairment of Equity Investments at FVOCI		(500,000)	(500,000)	(500,000)	-	-
<b>Net Equity Investments at FVOCI</b>		4,728,000	13,022,000	7,629,000	-	-

Equity Investments at Fair Value through Other Comprehensive Income (FVOCI) are measured in accordance with IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement. The Impairment of Equity Investments at FVOCI represents the value of the investment in United Poultry Marketing Company due to its liquidation status.

## 19. BIOLOGICAL ASSETS (CURRENT)

	31 December 2021	31 December 2020
	SAR	SAR
Green forage Crop (Sudan project)	-	3,064,152
Annual Crops	24,118,793	24,625,037
	<b>24,118,793</b>	<b>27,689,189</b>

## 20. INVENTORY

	31 December 2021	31 December 2020
	SAR	SAR
Raw Materials	293,277,982	284,983,634
Spare Parts	96,400,034	92,871,235
Agricultural Products Inventory	45,296,350	75,334,400
Finished Goods	87,465,862	103,766,068
Animal Products (Manure)	8,017,427	8,445,114
Fuel and Oil	4,597,262	7,254,180
	<b>535,054,917</b>	<b>572,654,631</b>
Provision for slow moving Inventory	<b>(82,990,955)</b>	<b>(36,092,119)</b>
	<b>452,063,962</b>	<b>536,562,512</b>
<b>Slow moving inventory</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
	SAR	SAR
Opening Balance for the year	36,092,119	18,036,571
Inventory Provision movement, net	46,898,836	18,055,548
<b>Closing balance for the year</b>	<b>82,990,955</b>	<b>36,092,119</b>

## 21. BIOLOGICAL ASSETS - AVAILABLE FOR SALE

	31 December 2021	31 December 2020
	SAR	SAR
Biological Assets - Available for Sale	35,046,943	25,112,448

## 22. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

### 22.A Trade and Other Receivables

	31 December 2021	31 December 2020
	SAR	SAR
Trade Receivables*	254,839,134	257,487,597
Government Subsidies due**	102,473,444	81,844,956
Staff Receivables	17,487,392	22,696,077
Other Receivables	9,217,008	7,326,463
	<b>384,106,978</b>	<b>369,355,093</b>
Impairment allowance on Trade Receivables	<b>(48,658,152)</b>	<b>(43,427,613)</b>
Provision for Government Subsidies due	<b>(47,119,095)</b>	<b>-</b>
	<b>288,239,731</b>	<b>325,927,093</b>

\* Trade and Other Receivables have been classified as financial assets measured at amortized cost.

## 22. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES – (CONTINUED)

\*\* Government subsidies due represents amounts claimed from the Government and are considered recoverable from Government as these meet the criteria provided by Government Agencies and the Company it is reasonably certain that the subsidies will be received.

### 22.B Prepayments

	31 December 2021	31 December 2020
	SAR	SAR
Prepayments to Suppliers	249,507,654	97,341,402
Prepaid expenses and others	32,146,025	19,237,335
	281,653,679	116,578,737
Provision for prepayments	(17,828,324)	-
	263,825,355	116,578,737

During the year the Company assessed the recoverability and utilization of prepayments and identified that certain prepayments of SR 17.82 million in respect of which recoverability is not assessable and accordingly provision was made for this.

Impairment Loss on Trade Receivables	31 December 2021	31 December 2020
	SAR	SAR
Balance at beginning of the year	43,427,613	39,117,735
Impairment Losses on Trade Receivables	5,230,539	4,309,878
Balance at end of year	48,658,152	43,427,613

## 23. CASH AND BANK BALANCES

	31 December 2021	31 December 2020
	SAR	SAR
Cash at Bank	81,918,355	64,381,858
Cash in Hand	-	4,331,996
	81,918,355	68,713,854

## 24. SHARE CAPITAL

	31 December 2021	31 December 2020
Authorized Shares (# of Shares)	101,640,000	101,640,000
Movement of Stocks Issued		
Ordinary Shares issued and fully paid	No. of Shares	Value (SAR)
Balance at 31 December 2020	101,640,000	1,016,400,000
Balance at 31 December 2021	101,640,000	1,016,400,000

## 25. STATUTORY RESERVE

In accordance with the Regulations for the Kingdom of Saudi Arabia and the Company's Articles of Association, the Company shall transfer 10% of the net profit for the year to statutory reserve until such reserve reaches 30% of its capital. This reserve is not available for distribution to shareholders.



## 26. OTHER RESERVES

	<b>SAR</b>
<b>Balance at 1 January 2020</b>	20,637,006
<b><u>Changes</u></b>	
Change in Fair value of Equity Investment at FVOCI	1,257,000
Actuarial Valuation adjustments to Other Reserves	747,847
Total adjustments to Other Components of Equity	2,004,847
<b>Balance at 31 December 2020</b>	22,641,853
<b><u>Changes</u></b>	
Change in Fair value of Equity Investment at FVOCI	5,393,000
Actuarial Valuation adjustments to Other Reserves	(2,830,424)
Total adjustments to Other Components of Equity	2,562,576
<b>Balance at 31 December 2021</b>	25,204,429



## 27. MURABAHA LOANS AND BORROWINGS

	Currency of Loans	Interest Rate	Due Date	31 December 2021		31 December 2020	
				Nominal Value SAR'000	Book Value SAR'000	Nominal Value SAR'000	Book Value SAR'000
Islamic Banking Facilities (Murabaha) (28.1)	SAR	SIBOR + Bank Margin	2022-2028	1,626,737	1,631,040	1,478,350	1,484,279
Agricultural Development Fund Loan (28.2)	SAR	Fixed	2022-2027	5,463	5,463	6,454	6,454
<b>Total Loans</b>				<b>1,632,200</b>	<b>1,636,503</b>	<b>1,484,804</b>	<b>1,490,733</b>

- The weighted average markup on bank loans during the year 2021 was 2.01% (2020: 2.82%) on per annum basis, however, the rates varied between medium and short-term loans.
- Loans from local banks were granted against promissory note given by the Company.

Loans are presented in the Statement of Financial Position as follows:

	31 December 2021	31 December 2020
	SAR'000	SAR'000
<b>Non-current liabilities</b>		
Loans secured by Guarantees	4,472	5,463
Loans not secured by any Guarantee or Security	1,146,011	875,512
	<b>1,150,483</b>	<b>880,975</b>
<b>Current liabilities</b>		
Loans secured by Guarantees	991	991
Loans not secured by any Guarantee or Security	485,029	608,767
	<b>486,020</b>	<b>609,758</b>

## 27. MURABAHA LOANS AND BORROWINGS – (CONTINUED)

### 27.1 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 31 December 2021 amounted to SAR 697 million (31 December 2020: SAR 608 million).

### 27.2 Agricultural Development Fund Loan

The Company was granted a loan from the Agricultural Development Fund under number 803405009 dated 24 Jumada II 1433H (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 started from 4 Muharram 1440H (corresponding to 14 September 2018) and ending on 4 Muharram 1449H (corresponding to 8 September 2027), the loan amount was used to finance the irrigation netting pivots of olive seedlings.

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

The balance of these loans from Agricultural Development Fund on 31 December 2021 amounted to SAR 5.5 million (31 December 2020: SAR 6.5 million).

## 28. EMPLOYEE BENEFITS OBLIGATION

The entity operates a defined benefit plan (as defined in IAS 19) to provide a lump-sum compensation when the employee leaves the service, in line with the current labor law in the Kingdom of Saudi Arabia. The plan and its obligations are therefore more sensitive to changes in future salary increases, future withdrawal rates and the discount rate used to assess commitments, and the Company is not required to finance the plan, the plan's liabilities have been assessed using the projected credit unit method in accordance with IAS 19. Since the amount and timing of future maturities are not known currently, assumptions have been made to value the obligations relating to the past service. These assumptions have been derived using methodologies consistent with the requirements of IAS 19. Any changes in assumptions in financial, economic and demographic conditions over time, where future experience does not match established assumptions, that change is included in Other Comprehensive Income in the future financial year.

The movement in the present value of the liability for the benefits of the end of service plan of the enterprise is as follows:

	31 December 2021	31 December 2020
	SAR	SAR
Opening balance for Employee Benefits Obligation	165,619,617	165,813,558
Interest Cost	4,176,210	4,600,312
Current Service Cost	17,892,038	17,795,410
Benefits Paid	(27,514,846)	(21,841,816)
Actuarial loss/ (gain) in Other Comprehensive Income	2,830,424	(747,847)
<b>Closing Balance for Employee Benefits Obligation</b>	<b>163,003,443</b>	<b>165,619,617</b>

The value of the amounts that have been adjusted for the year ended 31 December 2021 and 31 December 2020 are as follows, according to the Actuarial study conducted

	31 December 2021	31 December 2020
	SAR	SAR
Current Service cost	17,892,038	17,795,410
Interest cost	4,176,210	4,600,312
<b>Expense charged to Statement of Profit or Loss for the year</b>	<b>22,068,248</b>	<b>22,395,722</b>

## 28. EMPLOYEE BENEFITS OBLIGATION – (CONTINUED)

Other comprehensive income related to the Employee Benefits Plan for the years 2021 and 2020 consists of the following items:

	<b>31 December 2021</b>	31 December 2020
	<b>SAR</b>	SAR
Actuarial loss resulting from changes in financial assumptions	-	2,050,037
Actuarial loss/ (gain) resulting from experience adjustment	<b>2,830,424</b>	(2,797,884)
<b>Actuarial loss/ (gain) in Other Comprehensive Income</b>	<b>2,830,424</b>	(747,847)

The significant assumptions used to determine the defined benefit obligations of the employees' end of service plan are as follows:

	<b>31 December 2021</b>	31 December 2020
Discount rate	<b>3.00%</b>	<b>2.75%</b>
Expected salary increase rate	<b>3.75%</b>	<b>3.5%</b>
Withdrawal from work (Average Ratio)	<u>Age: Ratio</u> 18-25:18.75% 26-30:15.00% 31-50:7.50% +51:3.75%	<u>Age: Ratio</u> 18-25:18.75% 26-30:15.00% 31-50:7.50% +51:3.75%

## 29. TRADE AND OTHER PAYABLES

	<b>31 December 2021</b>	31 December 2020
	<b>SAR</b>	SAR
Trade Creditors	<b>487,738,232</b>	411,514,771
Accrued Expenses	<b>140,244,891</b>	98,963,995
Employee Benefits	<b>44,581,842</b>	66,935,231
Advances from Customers	<b>5,634,187</b>	9,118,118
Payable to Related Parties	<b>6,242,750</b>	2,277,333
Other Payables	<b>29,458,927</b>	17,274,205
<b>Total</b>	<b>713,900,829</b>	606,083,653

## 30. DIVIDEND PAYABLES

Below table represents the movement in the Dividend Payables.

	<b>SAR</b>
Balance at 01 January 2020	33,381,206
Paid during the year 2020	(250,470)
Balance at 31 December 2020	33,130,736
<b>Paid during the year 2021</b>	<b>(320,958)</b>
<b>Balance at 31 December 2021</b>	<b>32,809,778</b>

### 31. PROVISION FOR ZAKAT

	<b>SAR</b>
<b>Balance at 1 January 2020</b>	28,731,402
Provision recognized during the year	5,400,000
Zakat on Crops (Sudan)	315,912
<b>Total charged to Statement of Profit or Loss</b>	<b>5,715,912</b>
Zakat paid during the Year	(1,054,715)
<b>Balance at 31 December 2020</b>	<b>33,392,599</b>
 <b>Balance at 1 January 2021</b>	 <b>33,392,599</b>
<b>Provision recognized during the year</b>	
Zakat provision for current year	6,000,000
Zakat provision for earlier years	33,665,809
Zakat on Crops (Sudan)	35,864
<b>Total charged to Statement of Profit or Loss</b>	<b>39,701,673</b>
Zakat paid during the Year	(843,857)
<b>Balance as at 31 December 2021</b>	<b>72,250,415</b>

The Company obtained the final Zakat certificates for the years up to 1997 from the Zakat, Tax and Customs Authority ("ZATCA" or "the Authority"). The Authority issued Zakat assessments for the years 1998-2006 and the Company objected to some of its items. The Zakat Tax Objection Committee did not accept the Company's objection. The Company appealed against the Zakat Tax Objection Committee decision at the Zakat Tax Appeal Committee which supported the Company's objection on items under dispute. The Appeals Committee decision was in favor of the Company and reduced Zakat liability from SAR 12.1 million to SAR 4.9 million. The Company gave a bank guarantee of SAR 4.9 million against the revised Zakat Tax Appeal Committee and filed an objection to the revised assessments for 2005 and 2006, presently the case is pending with Zakat Tax Appeal committee. The Authority also issued Zakat assessments for the years 2014-2020, the Company objected to some of its items with the Authority and presently these objections are pending for discussion. During the current year the company made provision of SR 33.7 million for aforesaid years based on external consultant opinion.

### 32. COMMITMENT AND CONTINGENCIES

#### Capital Commitments

Capital commitments amounted to SAR 67.36 million against contracts for the supply of property, plant and equipment as at 31 December 2021 (31 December 2020: SAR 25.06 million)

#### Letters of credit

The contingent liabilities against letters of credit are SAR 228.31 million at 31 December 2021 (31 December 2020: SAR 180.68 million).

#### Letters of guarantee

The contingent liabilities against letters of guarantee are SAR 54.34 million at 31 December 2021 (31 December 2020: SAR 66.23 million).

### 33. FAIR VALUE

Financial Assets and Liabilities are measured at amortized cost except for Equity Investments at Fair value through Other Comprehensive Income (FVOCI) 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 FVOCI based on the performance of similar financial assets in an active market considering the performance of the asset itself to maximize benefits from the asset.

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

31 December 2021							
	Carrying Amount			Fair Value			
	Amortized	Fair Value	Total	Level 1	Level 2	Level 3	Total
	Cost			SAR'000	SAR'000	SAR'000	SAR'000
	SAR'000	SAR'000	SAR'000	0		0	
<b>Financial Assets</b>							
Equity Investment at FVOCI	-	13,022	13,022	-	13,022	-	13,022
Trade and Other Receivables	277,660	-	277,660	-	-	-	-
Cash and Bank Balances	81,918	-	81,918	-	-	-	-
	<b>359,578</b>	<b>13,022</b>	<b>372,600</b>	<b>-</b>	<b>13,022</b>	<b>-</b>	<b>13,022</b>
<b>Financial Liabilities</b>							
Trade and Other Payables	686,896	-	686,896	-	-	-	-
Loans	1,636,503	-	1,636,503	-	-	-	-
Lease Liabilities	70,349	-	70,349	-	-	-	-
	<b>2,393,748</b>	<b>-</b>	<b>2,393,748</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

31 December 2020							
	Carrying Amount			Fair Value			
	Amortized	Fair Value	Total	Level 1	Level 2	Level 3	Total
	Cost			SAR'000	SAR'000	SAR'000	SAR'000
	SAR'000	SAR'000	SAR'000				
<b>Financial Assets</b>							
Equity Investment at FVOCI	-	7,629	7,629	-	7,629	-	7,629
Trade and Other Receivables	286,753	-	286,753	-	-	-	-
Cash and Bank Balances	68,714	-	68,714	-	-	-	-
	<b>355,467</b>	<b>7,629</b>	<b>363,096</b>	<b>-</b>	<b>7,629</b>	<b>-</b>	<b>7,629</b>
<b>Financial Liabilities</b>							
Trade and Other Payables	589,088	-	589,088	-	-	-	-
Loans	1,490,733	-	1,490,733	-	-	-	-
Lease Liabilities	62,759	-	62,759	-	-	-	-
	<b>2,142,580</b>	<b>-</b>	<b>2,142,580</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 34. Financial Risk Management

The Company is exposed to the following risks through its use of financial instruments:

- A. Credit Risk.
- B. Liquidity Risk.
- C. Market Risk

This note provides information on the Company's exposure to each of the above risks, the Company's objectives, policies and procedures for measuring and managing risks, and the Company's capital management. Further quantitative disclosures are included in these financial statements. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize the potential negative impact on the financial performance of the Company. Financial instruments included in the Statement of Financial Position include cash and cash equivalents, short-term investments, receivables, due from related parties, short- and long-term loans, due to related parties and accrued expenses, as well as other current liabilities.

#### 34.1 Credit Risk

Credit risk is the risk that the counter party will not meet its obligations under a financial instrument or a business contract resulting in a financial loss. The Company is exposed to credit risk from its operating activities (mainly trade receivables) and from financing activities. The financial assets subject to credit risk are set out in table below:

	<b>31 December 2021</b>	31 December 2020
	<b>SAR</b>	SAR
<b>Cash and Bank Balances</b>	<b>81,918,355</b>	68,713,854
<b>Trade and Other Receivables</b>	<b>277,659,662</b>	286,753,143
	<b><u>359,578,017</u></b>	<u>355,466,997</u>

#### • Trade Receivables

Customer credit risk is managed by each business segment in accordance with the Company's business policy, procedures and control related to business risk management. The credit quality of the customer is assessed on the basis of an evaluation card for each customer based on the date of the customer's dealings with the Company and the extent of his obligation to pay by setting a grace period and credit limit for each customer. The Company calculates impairment losses on the basis of its estimate of losses incurred in respect of trade receivables. The main components of this provision are the expected loss element of specific customers as well as the aggregate loss element that is estimated for a group of similar customers in respect of losses that may be incurred, and which have not yet been determined. The consolidated loss provision is determined based on historical data of collection statistics for similar customers. Management believes that there is no additional allowance for credit risk required in excess of the normal decrease in receivables.

Trade Receivables consist of 82% of the balances in Saudi Arabia and 18% of the outstanding balances in the GCC as at 31 December 2021 (31 December 2020: 82% and 18% respectively).

Bank balances are kept with banks of BBB rating or higher rating banks.

#### 34.2 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations associated with financial liabilities settled through the delivery of cash or other financial assets. The Company's approach to liquidity management is to ensure, as far as possible, that it always has sufficient liquidity to meet its obligations when due in normal and difficult circumstances without incurring unacceptable losses or risking the Company's reputation. Liquidity risk may result from the inability to sell the financial asset quickly near its fair value. A significant portion of the Company's funds are in Cash and Bank balances and are readily available to cover expected operating expenses, including servicing of financial obligations. In order to improve the liquidity of the Company, the Company will develop a plan to develop working capital performance and restructure its capital components.



### 34. Financial Risk Management – (Continued)

#### 34.2 Liquidity Risk – (Continued)

Payable as of 31 December 2021	On Demand SAR	Less than 3 months SAR	3 Months to 1 year SAR	1 year to 5 years SAR	Greater than 5 years SAR	Total SAR
Murabaha & Government Loans	-	339,819,512	172,839,527	1,128,947,814	61,923,976	1,703,530,829
Trade Payables	-	493,980,982	-	-	-	493,980,982
Lease Liability repayment	-	6,947,673	15,305,514	39,997,984	13,117,310	75,368,481
<b>Total</b>	-	<b>840,748,167</b>	<b>188,145,041</b>	<b>1,168,945,798</b>	<b>75,041,286</b>	<b>2,272,880,292</b>

Payable as of 31 December 2020	On Demand SAR	Less than 3 months SAR	3 Months to 1 year SAR	1 year to 5 years SAR	Greater than 5 years SAR	Total SAR
Murabaha & Government Loans	-	372,858,502	261,105,209	883,891,493	35,370,874	1,553,226,078
Trade Payables	-	413,792,104	-	-	-	413,792,104
Lease Liability repayment	-	17,414,981	17,567,107	26,884,248	7,615,313	69,481,649
<b>Total</b>	-	<b>804,065,587</b>	<b>278,672,316</b>	<b>910,775,741</b>	<b>42,986,187</b>	<b>2,036,499,831</b>

#### • Capital Management

Equity includes the equity of the Company's shareholders. The main objective of the Company's Capital Management is to ensure that it maintains a strong credit rating and decent capital ratios to support the Company's business and increase the value of the Company. The Company manages and adjusts the capital structure in light of changes in economic conditions and the requirements of financial commitments. To maintain or adjust the capital structure, the Company may amend dividend payments to shareholders, return capital to shareholders or issue new shares. The Company monitors capital using the Lending Ratio (debt), which is Shareholders' Equity plus Net Debt divided by Net Debt. The Company's policy is to maintain a debt ratio between 1.8 and 2.5. The Company includes in its net debt interest bearing loans and borrowings and trade payables other credit balances less cash deposits.

	31 December 2021 SAR	31 December 2020 SAR
Islamic and Government Murabaha Loans	1,636,502,989	1,490,732,623
Trade and Other Payables	713,900,829	606,083,653
Employee Benefit Obligations	163,003,443	165,619,617
Provision for Zakat	72,250,415	33,392,599
Dividend Payable	32,809,778	33,130,736
Lease Liabilities	70,349,282	62,759,461
<b>Total Debt</b>	<b>2,688,816,736</b>	<b>2,391,718,689</b>
Cash and Bank Balances	(81,918,355)	(68,713,854)
<b>Net Debt</b>	<b>2,606,898,381</b>	<b>2,323,004,835</b>
Shareholders' Equity	1,195,812,698	1,478,278,245
<b>Shareholders' Equity and Net Debt</b>	<b>3,802,711,079</b>	<b>3,801,283,080</b>
Ratio of Borrowing (indebtedness)	<b>1.46</b>	<b>1.64</b>

To achieve this objective, the Company's capital management aims, among other things, to ensure that the financial commitments associated with interest bearing loans and advances that meet the requirements of the capital structure are met.

### 34. FINANCIAL RISK MANAGEMENT – (CONTINUED)

#### 34.2 Liquidity Risk – (Continued)

##### • Capital Management – (Continued)

In the event of a breach of compliance with these financial commitments, banks may be allowed to claim loans and bank facilities granted to the Company. There have been no violations of the financial commitments contracted with banks that lend to those loans, and in the event of such irregularities, the Company gets exemptions from banks for periods to be determined by those banks.

No changes were made in the objectives, policies and processes for capital management during the year ended 31 December 2021 and the year ended 31 December 2020.

#### 34.3 Market Risk

Market risk is the risk of changes in market prices such as foreign exchange rates, profit rates and equity prices. These risks affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable limits, while improving returns.

The Company's exposure to market risk arises from:

- Currency risk
- Interest rate risk

##### • Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates

Currency Movement vs. Saudi Riyal (SAR)							
Foreign Currency	% Change	Average Fx Rate (Foreign Currency/ SAR)		Upward	Downward	Upward	Downward
		2021	2020				
SAR							
Price for \$1	1.00%	3.750	3.750	(252,865)	252,865	(179,294)	179,294
Price for € 1	1.00%	4.250	4.483	(31,309)	31,309	(68,886)	68,886
Price for £1	1.00%	4.996	5.011	-	-	(3,064)	3,064
				(284,174)	284,174	(251,244)	251,244

The Company mainly trades in Saudi Riyal and US Dollars. The exchange rate fluctuations are closely monitored by management. Based on its experience, management does not believe it is necessary to hedge against the impact of foreign currency risk as most transactions are in Saudi Riyal and US Dollars. The Saudi Riyal is pegged to the US Dollar and there are no other significant foreign currency instruments other than the US Dollar and thus foreign currency risk is mitigated.

##### • Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to market risk of changes in interest rates mainly relates to the Company's borrowed loans to finance working capital requirements and capital expenditures. These loans are repriced periodically, and the Company is exposed to interest rate risk related to cash flows. The Company's practice is to manage bank interest costs by improving available cash flow and reducing borrowing. When borrowing is necessary, the loan term is matched with the expected repayments. There is a regular review of bank interest rates to ensure that these risks are mitigated.

The following table shows the impact on finance cost of the Company based on interest rate movement:

	Change %	Interest Rate Upward Movement	Interest Rate Downward Movement
		SAR	SAR
31 December 2021	1%	15,636,178	(15,636,178)
31 December 2020	1%	15,633,718	(15,633,718)

### 35. KEY RELATED PARTIES, TRANSACTIONS AND BALANCES

Related parties in the Company include companies and business entities owned or managed by some of the Company's Board of Directors. In the normal course of business, the Company deals with these companies through contracts approved by the management.

Details of key transactions with related parties are as follows:

Company	Relationship with NADEC	Nature of Transaction	Receivables/ (Payables)	Sales/ (Purchases)	Payments/ (collections)	Receivables/ (Payables)
			-SAR-			
			Balance at 31 December 2020	Movement during the year 2021		Balance at 31 December 2021
Abdullah Al Othaim Markets	Common Directorship	Sales of Nadeq products	24,821,202	79,413,662	(78,186,518)	26,048,346
Saudi Plastic Packaging Systems	Common Directorship	Purchase of Plastic Materials	(2,277,333)	(25,600,093)	23,472,326	(4,405,100)
Al-Kifah Holding Company	Common Directorship	Purchase of Packing material	(740,920)	(6,896,418)	5,799,688	(1,837,650)
National Poultry Company	Common Directorship	Purchase of Animal feed	-	(7,689,680)	7,689,680	-
			Balance at 31 December 2019	Movement during the year 2020		Balance at 31 December 2020
Seera Holidays Travel & Tourism co. Ltd	Common Directorship	Purchase of Travelling Services	-	(2,944,109)	2,944,109	-
Saudi Plastic Packaging Systems	Common Directorship	Purchase of Plastic Materials	(4,621,210)	(27,546,635)	29,890,512	(2,277,333)
Alwatania-agri	Common Directorship	Purchase of Olive Oil	(368,232)	-	368,232	-

#### Transactions with Key Management Personnel:

	31 December 2021	31 December 2020
	SAR	SAR
Short term benefits	14,233,802	9,738,434
Long-term benefits	609,023	1,924,293
<b>Total Benefits of Senior Management Personnel</b>	<b>14,842,825</b>	<b>11,662,727</b>

#### Proposal of the Board of Directors

Dated 24<sup>th</sup> Rajab 1443H (corresponding to 25 February 2022), the Board of Directors recommended the payment of Saudi Riyal One Million and Seven Hundred Fifty Thousand as remuneration to the members of the Board of Directors. This amount is subject to the approval of shareholders during the Annual General Assembly meeting.

### **36. SUBSEQUENT EVENTS**

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

### **37. APPROVAL BY THE BOARD OF DIRECTORS**

These Financial Statements for the year ended 31 December 2021 were approved by the Board of Directors on 21 Sha'aban 1443H corresponding to 24 March 2022.