



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

**FINANCIAL STATEMENTS AND INDEPENDENT  
AUDITOR'S REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2023**

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

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## **INDEPENDENT AUDITOR'S REPORT**

### **To the Shareholders of The National Agricultural Development Company (NADEC) (A Saudi Joint Stock Company)**

#### **Report on the Audit of the Financial Statements**

##### **Opinion**

We have audited the financial statements of The National Agricultural Development Company (NADEC) (the "Company"), which comprise the statement of financial position as at 31 December 2023, the statements of profit or loss, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

##### **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 International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia that is relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. 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 auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The National Agricultural Development Company (NADEC)  
(A Saudi Joint Stock Company)

### Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Biological assets measurement:</p> <p>The Company's assets include biological assets with net book value amounted SR 755.2 million mostly representing dairy herd.</p> <p>IAS 41 "Agriculture" requires biological assets to be measured at fair value less costs to sell, unless the fair value cannot be reliably measured. 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, if any.</p> <p>We considered this to be a key audit matter as the carrying value of such assets is material to the financial statements and the fair value cannot be reliably measured. These assets are measured at historical cost and the basis for capitalising the costs is largely dependent on management's judgement supported by internal processes.</p> <p>Refer to note 3 for the accounting policy relating to biological assets measurement and note 15 for the related disclosures.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>• We evaluated the management's assumptions for not measuring the biological assets at fair value and discussed the reasonableness of measuring the biological assets at cost by taking into consideration the approach permitted as per the accounting standards and other related practices used for similar entities within the Kingdom of Saudi Arabia;</li> <li>• We have evaluated the design and implementation and tested the operating effectiveness of management's key controls identified relating to the capitalisation of biological assets;</li> <li>• We recalculated the depreciation expenses for the year based on the estimated useful life of biological assets; and</li> <li>• We reviewed the adequacy of disclosures in accordance with the requirements of relevant accounting standards relating to biological assets.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The National Agricultural Development Company (NADEC)  
(A Saudi Joint Stock Company)

### Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p>Revenue recognition:</p> <p>During the year ended 31 December 2023, the Company has recognized total revenues of SR 3.19 billion (2022: SR 2.69 billion).</p> <p>The Company's sales arrangements are on point in time basis with the right of return provided to customers in case of expiry of products sold.</p> <p>Revenue recognition is considered as a key audit matter since revenue is a key measure of the Company's performance and the Company may overstate its revenues by underestimating the expected sales returns considering rights available to customers under contractual arrangements.</p> <p>Refer to note 3 for the accounting policy relating to revenue recognition and note 6 for the related disclosures.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none"> <li>• We obtained an understanding of management's control process over revenue recognition and tested the operating effectiveness of management's key internal controls;</li> <li>• We have involved IT Audit specialists to evaluate the design and implementation and tested the operating effectiveness of key controls identified relating to revenue recognition;</li> <li>• We have tested samples of key contractual arrangements with customers including the customer's right to return for products sold;</li> <li>• We have obtained the basis of estimating the sales returns provision and recalculated the accuracy of the sales returns provision;</li> <li>• We have compared the actual sales returns post year end with the sales returns provision and assessed the accuracy of the provision calculated by the management;</li> <li>• We have performed analytical procedures on current year revenues compared with prior year revenues based on segments and product categories; and</li> <li>• We have reviewed the adequacy of disclosures relating to revenues in the financial statements.</li> </ul>

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of The National Agricultural Development Company (NADEC)  
(A Saudi Joint Stock Company)**

### **Other information included in The Company's 2023 Annual Report**

Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Company's 2023 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 Company's 2023 annual report, 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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law 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, the Audit Committee, 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **INDEPENDENT AUDITOR'S REPORT**

**To the Shareholders of The National Agricultural Development Company (NADEC)  
(A Saudi Joint Stock Company)**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 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.

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


## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of The National Agricultural Development Company (NADEC)  
(A Saudi Joint Stock Company)

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

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

for Ernst & Young Professional Services

  
Ahmed Ibrahim Reda  
Certified Public Accountant  
License No. (356)



Riyadh: 11 Sha'ban 1445H  
21 February 2024





		31 December 2023 SAR	31 December 2022 SAR
	Note		
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	1,760,547,868	1,822,737,034
Right-of-use assets	14	57,707,476	55,868,403
Biological assets	15	727,632,518	735,222,754
Intangible assets	16	23,851,662	30,488,378
Investment in joint venture	17	116,222,014	54,191,236
Equity investment at FVOCI	17	8,949,000	8,346,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>2,694,910,538</b>	<b>2,706,853,805</b>
<b>CURRENT ASSETS</b>			
Biological assets	18	27,644,670	28,050,004
Inventories	19	559,749,415	516,054,744
Biological assets - available for sale	20	28,929,505	30,232,197
Trade receivables, prepayments, and other receivables	21	463,839,474	429,189,936
Term deposits	22	500,000,000	-
Cash and cash equivalents	23	834,686,320	112,761,952
<b>TOTAL CURRENT ASSETS</b>		<b>2,414,849,384</b>	<b>1,116,288,833</b>
<b>TOTAL ASSETS</b>		<b>5,109,759,922</b>	<b>3,823,142,638</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	24	3,016,400,000	1,016,400,000
Share premium		78,719	78,719
Statutory reserve	25	193,787,812	193,787,812
Other reserves	26	38,985,456	29,045,753
Retained earnings		343,592,118	55,833,425
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>3,592,844,105</b>	<b>1,295,145,709</b>
<b>NON-CURRENT LIABILITIES</b>			
Murabaha loans and borrowings	27	97,739,216	892,905,661
Lease liabilities	14	34,777,841	39,265,623
Deferred income		4,017,287	4,559,006
Employee' defined benefits obligation	28	147,947,099	152,770,825
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>284,481,443</b>	<b>1,089,501,115</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	29	774,614,339	680,066,613
Murabaha loans and borrowings – short term	27	227,618,113	365,428,150
Murabaha loans and borrowings - current portion	27	51,035,972	267,153,934
Lease liabilities	14	17,894,034	16,105,659
Undistributed rights issue compensation	30	83,238,203	-
Dividend payables	31	32,340,192	32,580,323
Provision for Zakat	32	45,693,521	77,161,135
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,232,434,374</b>	<b>1,438,495,814</b>
<b>TOTAL LIABILITIES</b>		<b>1,516,915,817</b>	<b>2,527,996,929</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>5,109,759,922</b>	<b>3,823,142,638</b>

The accompanying notes 1 to 39 are an integral part of these financial statements  
These financial statements appearing on pages (7) to (41) were approved by the Board of Directors and were  
signed on its behalf by

Hassan Aqrour  
Chief Financial Officer

Solaiman Al-Twajri  
Chief Executive Officer

Abdulaziz Saleh Alrebdi  
Chairman



	Note	31 December 2023 SAR	31 December 2022 SAR
Revenue	6	3,196,966,537	2,694,247,713
Cost of sales	7	(2,013,222,848)	(1,885,914,150)
<b>GROSS PROFIT</b>		<b>1,183,743,689</b>	<b>808,333,563</b>
Selling and marketing expenses	8	(559,555,571)	(488,190,154)
General and administrative expenses	9	(213,094,619)	(138,952,063)
Impairment losses for trade receivables, and other receivables	21	(48,870,839)	(11,630,543)
Write off/ impairment losses on property, plant and equipment	13	(24,026,362)	(10,008,012)
Other income (expenses), net	10	6,352,791	(12,526,962)
<b>OPERATING PROFIT</b>		<b>344,549,089</b>	<b>147,025,829</b>
Finance cost	11	(76,020,175)	(48,833,978)
Share of results of joint venture	17	21,735,857	3,302,460
<b>PROFIT BEFORE ZAKAT</b>		<b>290,264,771</b>	<b>101,494,311</b>
Zakat for current year	32	(14,200,000)	(6,002,624)
Zakat reversal related to previous years	32	26,000,000	-
<b>PROFIT FOR THE YEAR</b>		<b>302,064,771</b>	<b>95,491,687</b>
<b>EARNINGS PER SHARE BASED ON PROFIT PER YEAR</b>			
<b>ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>			
Basic and diluted	12	1.77	0.61*

\* Restated for right issues.

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signed on its behalf by

Hassan Aqrourq  
Chief Financial Officer

Solaiman Al-Twajiri  
Chief Executive Officer

Abdulaziz Saleh Alrebdi  
Chairman



		31 December 2023	31 December 2022
	Note	SAR	SAR
<b>PROFIT FOR THE YEAR</b>		<b>302,064,771</b>	<b>95,491,687</b>
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>			
Actuarial gain on re-measurement of employees' defined benefit obligation	28	10,238,306	6,998,496
Movement in equity investment at fair value through other comprehensive income (FVOCI)	17	603,000	(4,676,000)
<b>TOTAL ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>		<b>10,841,306</b>	<b>2,322,496</b>
<b>ITEMS THAT ARE OR MAY BE RECLASSIFIED TO PROFIT OR LOSS</b>			
Foreign operations – foreign currency translation differences		(901,603)	1,518,828
<b>TOTAL ITEMS THAT ARE OR MAY BE RECLASSIFIED TO PROFIT OR LOSS</b>		<b>(901,603)</b>	<b>1,518,828</b>
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>		<b>9,939,703</b>	<b>3,841,324</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>312,004,474</b>	<b>99,333,011</b>

The accompanying notes 1 to 39 are an integral part of these financial statements  
These financial statements appearing on pages (7) to (41) were approved by the Board of Directors and were signed on its behalf by

Hassan Aqrouq  
Chief Financial Officer

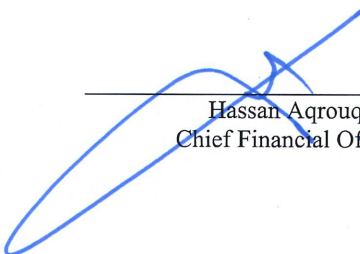
Solaiman Al-Twajri  
Chief Executive Officer


Abdulaziz Saleh Alrebdi  
Chairman



	Share capital SAR	Share premium SAR	Statutory reserve SAR	Other reserves SAR	Retained earnings SAR	Total shareholders' equity SAR
<b>Balance as at 1 January 2023</b>	1,016,400,000	78,719	193,787,812	29,045,753	55,833,425	1,295,145,709
Profit for the year	-	-	-	-	302,064,771	302,064,771
Other comprehensive income for the year	-	-	-	9,939,703	-	9,939,703
<b>Total comprehensive income</b>	-	-	-	9,939,703	302,064,771	312,004,474
Issue of new right issue shares (note 24)	2,000,000,000	-	-	-	(14,306,078)	1,985,693,922
<b>Balance as at 31 December 2023</b>	<u>3,016,400,000</u>	<u>78,719</u>	<u>193,787,812</u>	<u>38,985,456</u>	<u>343,592,118</u>	<u>3,592,844,105</u>
<b>Balance as at 1 January 2022</b>	1,016,400,000	78,719	184,238,643	25,204,429	(30,109,093)	1,195,812,698
Profit for the year	-	-	-	-	95,491,687	95,491,687
Other comprehensive income for the year	-	-	-	3,841,324	-	3,841,324
<b>Total comprehensive income</b>	-	-	-	3,841,324	95,491,687	99,333,011
Transfer to statutory reserve	-	-	9,549,169	-	(9,549,169)	-
<b>Balance as at 31 December 2022</b>	<u>1,016,400,000</u>	<u>78,719</u>	<u>193,787,812</u>	<u>29,045,753</u>	<u>55,833,425</u>	<u>1,295,145,709</u>

The accompanying notes 1 to 39 are an integral part of these financial statements  
These financial statements appearing on pages (7) to (41) were approved by the Board of Directors and were signed on its behalf by

  
Hassan Agrouq  
Chief Financial Officer

  
Solaiman Al-Twajiri  
Chief Executive Officer

  
Abdulaziz Saleh Alrebdi  
Chairman





	Note	31 December 2023 SAR	31 December 2022 SAR
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
<b>Profit before Zakat</b>		<b>290,264,771</b>	<b>101,494,311</b>
<b>Adjustments for:</b>			
Depreciation of property plant and equipment, net	13	148,245,121	158,066,625
Depreciation of right-of-use assets	14	14,339,308	18,083,505
Depreciation of biological assets	15	63,225,609	52,109,895
Amortization of intangible assets	16	8,654,485	10,127,945
Deferred income		(541,719)	(541,719)
Employee benefits obligation	28	30,402,117	19,852,651
Write off/ Impairment losses on trade receivables and other receivables	21	37,320,981	11,630,543
Inventory provision	19	31,546,653	17,376,685
Finance cost	11	76,020,175	48,833,978
Share of results from joint venture	17	(21,735,857)	(3,302,460)
Loss on sale of property plant and equipment and biological assets, net	10	48,505,220	33,389,787
Write off/ Impairment losses on property, plant and equipment	13	24,026,362	10,008,012
		<b>750,273,226</b>	<b>477,129,758</b>
<b>Changes in:</b>			
Inventories		(75,246,356)	(79,953,247)
Biological assets - available for sale		1,302,692	4,814,746
Biological assets		405,334	(3,949,413)
Trade receivables, prepayments, and other receivables		(73,752,395)	114,593,698
Trade and other payables		96,344,783	(36,704,782)
		<b>699,327,284</b>	<b>475,930,760</b>
Zakat paid	32	(19,667,614)	(1,091,904)
Employee benefits paid	28	(24,987,537)	(23,086,773)
<b>Net cash from operating activities</b>		<b>654,672,133</b>	<b>451,752,083</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Acquisition of property, plant and equipment and biological assets	13	(292,077,751)	(281,129,772)
Acquisition of intangible assets	16	(2,017,770)	(22,573,505)
Proceeds from sales of property, plant and equipment and biological assets		77,853,556	60,685,870
Investment in time deposits	23	(500,000,000)	-
Investment in joint venture	17	(40,294,921)	-
<b>Net cash used in investing activities</b>		<b>(756,536,886)</b>	<b>(243,017,407)</b>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>			
Issue of new shares	24	2,000,000,000	-
Undistributed rights issue compensation	30	83,238,203	-
Expenses relating to issue of new shares		(14,306,078)	-
Proceeds from Murabaha loans and borrowings		478,616,451	442,004,969
Repayment of Murabaha loans and borrowings		(1,622,295,356)	(560,306,624)
Finance cost paid		(79,515,912)	(39,323,536)
Payment of lease liabilities		(20,797,587)	(19,681,703)
Dividend paid		(240,131)	(229,455)
<b>Net cash from (used in) financing activities</b>		<b>824,699,590</b>	<b>(177,536,349)</b>
<b>Net change in cash and cash equivalent</b>		<b>722,834,837</b>	<b>31,198,327</b>
Cash and cash and cash equivalent at beginning of the year		112,761,952	81,918,355
Effect of exchange rates fluctuations on cash held		(910,469)	(354,730)
<b>CASH AND CASH AND CASH EQUIVALENT AT END OF THE YEAR</b>	23	<b>834,686,320</b>	<b>112,761,952</b>

The accompanying notes 1 to 39 are an integral part of these financial statements

These financial statements appearing on pages (7) to (41) were approved by the Board of Directors and were signed on its behalf by

Hassan Aqrouq  
Chief Financial Officer

Solaiman Al-Twajiri  
Chief Executive Officer

Abdulaziz Saleh Alnebbi  
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). NADEC was formerly known as Haradh Agriculture and Livestock Company which was 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 and marketing and distribution of its products.

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

The Company’s Head office is located at the following address:  
Building No. 7049,  
Sub No. 2467,  
Prince Abdulrahman Bin Abdulaziz Road, Al Murabba District,  
Riyadh 11461 – Kingdom of Saudi Arabia.

## 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”). Collectively referred as (International Financial Reporting Standards endorsed in the Kingdom of Saudi Arabia)

### 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. This assumption can be refuted by the lack of reliable declared market prices.
- 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.

## 3. MATERIAL ACCOUNTING POLICIES

The material accounting policies applied by the Company in the preparation of these financial statements are set out below.

### A. Term Deposits

Time Deposits include placements with banks and other short-term highly liquid investments, with original maturities of more than three months but not more than one year from the date of placement. Time deposits are placed with financial institutions with investment grade rating which are considered to have low credit risk.

Investment income in time deposits is accrued on a timely basis by reference to the principal outstanding and at the applicable effective interest rate.

### B. 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.

### C. 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.

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

#### D. 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. The cost of items of inventory used is assigned by weighted average cost formula.

#### E. Property, Plant and Equipment

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

- It is probable that future economic benefits associated with the item will flow to the entity; and
- 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.

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

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

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.

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

#### F. 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 for biological assets (Cows) is calculated on a straight-line basis over the estimated useful lives of (5 years).

#### G. 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 5 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.

#### H. Investment joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Company's investment joint venture are accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the joint venture, the Company recognises its share of any changes, when applicable, in the statement of changes in equity.

#### I. 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.



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

#### J. 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.

#### K. 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.

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.

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

#### **L. 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. No borrowing costs are capitalized during idle periods.

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

#### **M. 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 chief 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.

#### **N. 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.

#### **O. 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.

#### **P. 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.

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

#### Q. 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 on 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.

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.

#### R. 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.

#### S. Dividends

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

#### T. 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.

#### U. 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".

#### V. 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. MATERIAL ACCOUNTING POLICIES – (CONTINUED)

#### V. 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.

#### W. 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. MATERIAL ACCOUNTING POLICIES – (CONTINUED)

#### W. 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.

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

#### **Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

#### **Amendments to IFRS 16: Lease Liability in a Sale and Leaseback**

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

#### **Amendments to IAS 1: Classification of Liabilities as Current or Non-current**

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

#### **Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7**

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments:

Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.



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

#### New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The new standard had no impact on the Company's financial statements.

#### Definition of Accounting Estimates - Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Company's financial statements.

#### Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The

amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'material' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Company's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Company's financial statements.

#### Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Company's financial statements.

#### International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12

The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Company's financial statements.

#### **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.

##### **4.4. 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 19)

##### **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. 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 15,17 and 18).



## 5. OPERATING SEGMENTS

IFRS 8 requires operating segments to be identified based on internal reports that are regularly reviewed by the Company's chief operating decision makers 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 chief operating decision makers 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 2023:

	Dairy and Food SAR	Agriculture SAR	Elimination of Inter-Segment Sales SAR	Total SAR
<b>Revenue</b>				
External Revenue	3,080,102,397	116,864,140	-	3,196,966,537
Inter-Segment Revenue	-	50,957,401	(50,957,401)	-
<b>Total Revenue</b>	<b>3,080,102,397</b>	<b>167,821,541</b>	<b>(50,957,401)</b>	<b>3,196,966,537</b>
<b>Expenses</b>				
Depreciation and Amortization	(208,059,807)	(26,404,692)	-	(234,464,499)
Provision for Other Receivables	(40,500,000)	-	-	(40,500,000)
<b>Operating Profit</b>	<b>328,385,950</b>	<b>16,163,139</b>	<b>-</b>	<b>344,549,089</b>
Finance Cost	(72,449,237)	(3,570,938)	-	(76,020,175)
Share of Results of Joint Venture	-	21,735,857	-	21,735,857
<b>Profit before Zakat</b>	<b>255,936,713</b>	<b>34,328,058</b>	<b>-</b>	<b>290,264,771</b>
Zakat for current year	(14,200,000)	-	-	(14,200,000)
Zakat reversal related to previous years	26,000,000	-	-	26,000,000
<b>Profit for the year</b>	<b>267,736,713</b>	<b>34,328,058</b>	<b>-</b>	<b>302,064,771</b>
<b>Total Assets as at 31 December 2023</b>	<b>4,648,665,088</b>	<b>461,094,834</b>	<b>-</b>	<b>5,109,759,922</b>

The following is a summary of the operating segments as at and for the year ended 31 December 2022

	Dairy and Food SAR	Agriculture SAR	Elimination of Inter-Segment Sales SAR	Total SAR
<b>Revenue</b>				
External Revenue	2,584,034,067	110,213,646	-	2,694,247,713
Inter-Segment Revenue	16,457,796	33,113,470	(49,571,266)	-
<b>Total Revenue</b>	<b>2,600,491,863</b>	<b>143,327,116</b>	<b>(49,571,266)</b>	<b>2,694,247,713</b>
<b>Expenses</b>				
Depreciation and Amortization	(216,739,948)	(21,648,022)	-	(238,387,970)
Provision for Other Receivables	(7,100,197)	-	-	(7,100,197)
<b>Operating Profit/ (Loss)</b>	<b>202,914,353</b>	<b>(55,888,524)</b>	<b>-</b>	<b>147,025,829</b>
Finance Cost	(45,051,669)	(3,782,309)	-	(48,833,978)
Share of Results of Joint Venture	-	3,302,460	-	3,302,460
<b>Profit/ (Loss) before Zakat</b>	<b>157,862,684</b>	<b>(56,368,373)</b>	<b>-</b>	<b>101,494,311</b>
Zakat for current year	(6,000,000)	(2,624)	-	(6,002,624)
<b>Profit/ (Loss) for the year</b>	<b>151,862,684</b>	<b>(56,370,997)</b>	<b>-</b>	<b>95,491,687</b>
<b>Total Assets as at 31 December 2022</b>	<b>3,313,544,052</b>	<b>509,598,586</b>	<b>-</b>	<b>3,823,142,638</b>

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

	31 December 2023 SAR	31 December 2022 SAR
Saudi Arabia	2,829,356,972	2,399,685,681
Other Countries	367,609,565	294,562,032
	<b>3,196,966,537</b>	<b>2,694,247,713</b>

## 6. REVENUE

	31 December 2023 SAR	31 December 2022 SAR
Dairy and food revenue	3,009,636,185	2,543,119,096
Agricultural products revenue	116,864,140	56,719,345
Sales of calves and bulls	70,466,212	94,409,272
	<u>3,196,966,537</u>	<u>2,694,247,713</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 2023 SAR	31 December 2022 SAR
Material consumed	1,563,180,889	1,483,277,247
Government subsidies *	(18,917,583)	(34,318,720)
	<u>1,544,263,306</u>	<u>1,448,958,527</u>
Employee benefits	151,497,410	158,542,869
Depreciation of property plant and equipment (note 13)	126,555,860	131,941,601
Maintenance and repairs expenses	87,216,491	50,971,619
Depreciation of biological assets (note 15)	63,225,609	52,109,895
Fees and government expenses	12,942,355	21,032,306
Insurance expenses on property, plant and equipment	5,780,421	5,895,712
Rent and lease expenses	3,581,873	4,840,963
Utility expenses	3,032,734	2,485,680
Depreciation – right-of-use assets (note 14)	868,538	868,538
Amortization of intangible assets (note 16)	462,335	641,561
Other expenses	13,795,916	7,624,879
	<u>2,013,222,848</u>	<u>1,885,914,150</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.

## 8. SELLING AND MARKETING EXPENSES

	31 December 2023 SAR	31 December 2022 SAR
Employee benefits	226,656,284	221,360,758
Marketing and distribution expenses	183,032,153	125,753,874
Maintenance and repairs expense	42,615,091	19,727,994
Fees and government expenses	34,959,957	38,986,630
Depreciation of property plant and equipment (note 13)	19,782,234	24,766,003
Utility expenses	16,481,502	18,737,518
Depreciation – right-of-use assets (note 14)	13,470,744	17,214,967
Rent and lease expenses	6,124,546	6,574,723
Insurance expenses on property, plant and equipment	4,185,532	3,684,318
Amortization of intangible assets (note 16)	274,478	339,452
Other expenses	11,973,050	11,043,917
	<u>559,555,571</u>	<u>488,190,154</u>

## 9. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2023 SAR	31 December 2022 SAR
Employee benefits	124,090,031	82,454,418
Information technology expenses	35,197,745	31,751,447
Professional and consultancy expenses	29,547,062	5,824,301
Amortization of intangible assets (note 16)	7,917,672	9,146,932
Fees and government expenses	3,279,098	2,138,378
Utility expenses	2,595,581	2,040,672
Depreciation of property plant and equipment (note 13)	1,365,308	817,302
Insurance expenses on property, plant and equipment	288,146	644,152
Other expenses	8,813,976	4,134,461
	<b>213,094,619</b>	<b>138,952,063</b>

## 10. OTHER INCOME (EXPENSES), NET

	31 December 2023 SAR	31 December 2022 SAR
Sales of ancillary products/ service income *	30,163,918	24,068,476
Government grant subsidy **	19,459,478	-
Scrap sales and other miscellaneous income	4,923,187	1,260,359
Interest income on bank deposits	3,912,778	-
Dividend income from equity investments at FVOCI	300,000	300,000
Net foreign exchange loss	(3,901,350)	(4,766,010)
Loss on sale of property, plant and equipment and biological assets, net	(48,505,220)	(33,389,787)
	<b>6,352,791</b>	<b>(12,526,962)</b>

\* During the current year, the Company received service income of SAR 8 million (31 December 2022: SAR 7 million) for marketing and distribution of fresh vegetables.

\*\* During the current year, the Company received a subsidy grant of SAR 19.5 million from General Food Security Authority (GFSA). This grant is received for the animal feeds (Soya and corn) consumed in previous years and there are no conditions attached to it.

## 11. FINANCE COST

	31 December 2023 SAR	31 December 2022 SAR
Interest expense on Murabaha loans	66,352,128	39,236,863
Interest expense on lease liabilities (note 14)	1,919,800	2,224,032
Other finance charges	7,748,247	7,373,083
	<b>76,020,175</b>	<b>48,833,978</b>

## 12. EARNINGS PER SHARE

	31 December 2023	31 December 2022
Profit attributable to ordinary shareholders (SAR)	302,064,771	95,491,687
Weighted average number of ordinary shares (number of Shares)	171,049,994	157,635,915*
Earnings per share (SAR/Share)	1.77	0.61*

\* Restated for right issues.

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

### 13. PROPERTY, PLANT AND EQUIPMENT

Description	Land SAR	Concrete Buildings SAR	Prefabricated Buildings SAR	Wells and Civil works SAR	Machinery and Equipment SAR	Tanks and Silos SAR	Agricultural Equipment SAR	Vehicles and Trucks SAR	Tools SAR	Office Furniture SAR	Bearer Plants SAR	Leasehold Improvements SAR	Capital Parts SAR	Capital Work in Progress SAR	Total SAR
<b>Cost</b>															
<b>As at 1 January 2022</b>	294,801,479	736,384,334	289,023,733	435,847,694	1,956,172,899	72,380,869	177,422,157	236,302,870	313,971,933	162,680,257	169,384,768	4,707,315	1,670,352	95,886,698	4,946,637,358
Addition	-	859,766	3,353,770	861,873	11,660,673	3,270,477	2,223,142	599,077	3,560,698	4,513,616	20,460	284,108	-	56,587,839	87,795,499
Transfers	-	-	-	-	26,937,503	-	-	-	-	-	15,351,726	-	-	(42,289,229)	-
Foreign currency translation differences	(689)	(2,307,098)	(1,040,723)	(11,415,651)	(9,977,967)	(481,177)	(5,084,761)	(1,955,697)	(194,068)	(211,988)	(2,347,160)	(16)	-	-	(35,016,995)
Disposals (-)	-	-	-	-	-	-	-	(3,348,479)	-	(67,990)	(8,431,473)	-	-	-	(11,847,942)
<b>As at 31 December 2022</b>	294,800,790	734,937,002	291,336,780	425,293,916	1,984,793,108	75,170,169	174,560,538	231,597,771	317,338,563	166,913,895	173,978,321	4,991,407	1,670,352	110,185,308	4,987,567,920
Additions (+)	-	-	1,687,220	3,657,785	42,406,152	834,028	11,794,803	461,026	25,358,645	17,564,308	-	-	-	8,848,716	112,612,683
Transfers	-	10,716,548	2,583,805	-	34,638,355	-	-	-	16,608,001	-	15,325,208	-	-	(79,871,917)	-
Disposals (-)	-	(870,778)	(230,448)	(130,127)	(16,263,745)	(1,940,244)	(9,206,849)	(23,526,412)	(5,887,508)	(10,125,709)	-	-	-	-	(68,181,820)
Foreign currency translation differences	-	(3,283,418)	(1,479,799)	(16,235,826)	(14,185,794)	(684,339)	(7,231,774)	(2,664,596)	(248,046)	(290,221)	(3,338,235)	-	-	-	(49,642,048)
<b>As at 31 December 2023</b>	<b>294,800,790</b>	<b>741,499,354</b>	<b>293,897,558</b>	<b>412,585,748</b>	<b>2,031,388,076</b>	<b>73,379,614</b>	<b>169,916,718</b>	<b>205,867,789</b>	<b>353,169,655</b>	<b>174,062,273</b>	<b>185,965,294</b>	<b>4,991,407</b>	<b>1,670,352</b>	<b>39,162,107</b>	<b>4,982,356,735</b>
<b>Accumulated depreciation and impairment</b>															
<b>As at 1 January 2022</b>	-	261,472,134	221,807,688	334,899,140	1,300,911,718	68,325,173	159,452,876	218,732,414	279,518,869	136,361,916	54,232,647	4,693,951	611,399	-	3,041,019,925
Depreciation during the year (+)	-	13,032,125	12,132,733	7,233,491	73,728,833	2,767,952	7,110,170	10,126,248	15,987,977	10,988,336	6,751,810	89,769	212,212	-	160,161,656
Disposals (-)	-	-	-	-	-	-	-	(2,843,778)	-	(67,990)	(5,947,505)	-	-	-	(8,859,273)
Impairment *	2,522,830	-	-	-	-	-	-	-	-	-	4,350,000	-	-	650,000	7,522,830
Foreign currency translation differences	-	(2,308,563)	(1,040,799)	(11,415,642)	(9,978,253)	(481,176)	(5,084,765)	(1,952,909)	(193,095)	(211,880)	(2,347,156)	(14)	-	-	(35,014,252)
<b>As at 31 December 2022</b>	2,522,830	272,195,696	232,899,622	330,716,989	1,364,662,298	70,611,949	161,478,281	224,061,975	295,313,751	147,070,382	57,039,796	4,783,706	823,611	650,000	3,164,830,886
Depreciation during the year (+)	-	13,251,754	11,067,828	7,245,220	76,338,860	1,424,527	4,793,371	3,223,004	14,356,536	10,020,676	7,356,021	145,512	212,212	-	149,435,521
Disposals(-)	-	(536,805)	(230,448)	(130,127)	(16,154,527)	(1,940,244)	(9,060,172)	(22,781,869)	(5,886,205)	(10,122,742)	-	-	-	-	(66,843,139)
Impairment **	-	3,690,486	6,495,290	77,192	10,700,000	-	-	232,739	-	4,293	-	-	-	2,826,362	24,026,362
Foreign currency translation differences	-	(3,283,373)	(1,479,798)	(16,235,827)	(14,186,016)	(684,340)	(7,231,773)	(2,664,562)	(246,787)	(290,051)	(3,338,236)	-	-	-	(49,640,763)
<b>As at 31 December 2023</b>	<b>2,522,830</b>	<b>285,317,758</b>	<b>248,752,494</b>	<b>321,673,447</b>	<b>1,421,360,615</b>	<b>69,411,892</b>	<b>149,979,707</b>	<b>202,071,287</b>	<b>303,537,295</b>	<b>146,682,558</b>	<b>61,057,581</b>	<b>4,929,218</b>	<b>1,035,823</b>	<b>3,476,362</b>	<b>3,221,808,867</b>
<b>Net Book Value</b>															
<b>As at 31 December 2023</b>	<b>292,277,960</b>	<b>456,181,596</b>	<b>45,145,064</b>	<b>90,912,301</b>	<b>610,027,461</b>	<b>3,967,722</b>	<b>19,937,011</b>	<b>3,796,502</b>	<b>49,632,360</b>	<b>27,379,715</b>	<b>124,907,713</b>	<b>62,189</b>	<b>634,529</b>	<b>35,685,745</b>	<b>1,760,547,868</b>
As at 31 December 2022	292,277,960	462,741,306	58,437,158	94,576,927	620,130,810	4,558,220	13,082,257	7,535,796	22,024,812	19,843,513	116,938,525	207,701	846,741	109,535,308	1,822,737,034

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 Million, as at 31 December 2023 (31 December 2022: SAR 26.58 Million). (Note 27).

\* During 2022, the Company recognized an impairment provision for a portion of the land occupied by Saudi Aramco in amounted to SAR 2.5 million (Note 13-2). During 2022, the Company did not record any profits resulting from the dates business and there is no alternative use of date palm, accordingly, the management recognized an impairment provision of SAR 4.3 million.

\*\* During 2023, the Company recognized an impairment provision in amounted to SAR 24 million for Juice line, dairy farm assets and residential villa.

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

#### 13.1 Capitalization of Borrowing Cost

The value of borrowing costs capitalized during the year ended 31 December 2023 amounted to SAR 22.17 million (31 December 2022: SAR 14.34 million). Effective interest rate was used to determine the amount of borrowing cost eligible for capitalization. (note 27).

#### 13.2 Land

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

##### Land Used by Saudi Arabian Oil (Saudi Aramco)

As per the Royal Order No. (151) dated 9/5/1401H, NADEC was granted the Haradh project, which was invested by NADEC for Agricultural and Livestock Production, including agricultural land, facilities, fixed and movable assets, and energy sources, and it is considered among its properties starting from the date of issuance of Royal Decree No. (M/ 41) on 10/17/1401H approving its establishment.

The title deed was issued by Notary Public at Haradh with No. (87) on 5/15/1403H, with a length of seventy-five kilometers from north to south and five kilometers from east to west, with an area of 375 square kilometers.

NADEC entered into a legal dispute with Saudi Arabian Oil (Saudi Aramco) in respect of some portion of the land and the Supreme Court issued its final judgment on Rabi` al-Awwal 18, 1442H (corresponding to November 4, 2020) to cancel the title deed No. (87) issued to NADEC on 5/15/1403H, and this decision did not oblige the Company to leave or vacate the areas it revived and the areas in which its operational business is located, no essential operations of the Company are located on the disputed land, and NADEC has raised its objects to the decision of the supreme court to the concerned authorities and clarified its position towards the decision.

Based on NADEC's assessment of its legal status and based on discussions with the concerned authorities, the management is largely believes that the ownership of the revived lands that are subject to the use and control of the Company is valid, and it is expected that anew title will be issued to the Company for the revived lands that is which are under the Company control and use after approval of the concerned government authorities. It is also expected that this will lead to a reduction in the land area, which is currently used by Saudi Arabian Oil (Saudi Aramco) and a small piece of land in the southern region that is not suitable for agricultural production and is not currently used by the Company. Accordingly, the Company recorded a provision of SR 2.5 million during the previous year.

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

#### i. Right-of-Use Assets

	<b>Land &amp; Buildings SAR</b>	<b>Vehicles and Trucks SAR</b>	<b>Machineries SAR</b>	<b>Total SAR</b>
Carrying value as at 1 January 2022	14,434,148	48,401,934	8,636,155	71,472,237
Additions during 2022	2,559,682	157,148	-	2,716,830
Lease cancellations	(237,159)	-	-	(237,159)
Depreciation for 2022	(2,904,136)	(14,330,915)	(848,454)	(18,083,505)
Carrying value as at 31 December 2022	13,852,535	34,228,167	7,787,701	55,868,403
<b>Additions during 2023</b>	<b>7,141,259</b>	<b>10,094,314</b>	<b>-</b>	<b>17,235,573</b>
<b>Lease cancellations</b>	<b>(1,057,192)</b>	<b>-</b>	<b>-</b>	<b>(1,057,192)</b>
<b>Depreciation for 2023</b>	<b>(3,292,802)</b>	<b>(10,198,052)</b>	<b>(848,454)</b>	<b>(14,339,308)</b>
<b>Carrying value as at 31 December 2023</b>	<b>16,643,800</b>	<b>34,124,429</b>	<b>6,939,247</b>	<b>57,707,476</b>

## 14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

### i. Lease liabilities

	<b>Total SAR</b>
Carrying value as at 1 January 2022	70,349,282
Additions of new leases in 2022	2,716,830
Interest expense for 2022 (note 11)	2,224,032
Lease cancellations	(237,159)
Payment of lease liability during 2022	(19,681,703)
Carrying value as at 31 December 2022	55,371,282
<b>Additions of new leases in 2023</b>	<b>17,235,573</b>
<b>Interest expense for 2023 (note 11)</b>	<b>1,919,800</b>
<b>Lease cancellations</b>	<b>(1,057,218)</b>
<b>Payment of lease liability during 2023</b>	<b>(20,797,562)</b>
<b>Carrying value as at 31 December 2023</b>	<b>52,671,875</b>
<b>Lease liability – Current portion</b>	<b>17,894,034</b>
<b>Lease liability – Non-current portion</b>	<b>34,777,841</b>

## 15. 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 2023 and their changes during the year, and the comparative amounts are as follows;

<b>Biological Assets</b>	<b>Cows SAR</b>	<b>Heifers SAR</b>	<b>Total SAR</b>
<b>Cost as at 1 January 2023</b>	<b>431,276,765</b>	<b>377,664,241</b>	<b>808,941,006</b>
Additions through Birth/ Conversion	237,591,938	180,260,458	417,852,396
Exclusions as a result of Sale or Death or Conversion	(165,672,810)	(237,591,938)	(403,264,748)
<b>Cost as at 31 December 2023</b>	<b>503,195,893</b>	<b>320,332,761</b>	<b>823,528,654</b>
Accumulated depreciation as at 1 January 2023	73,718,252	-	73,718,252
Depreciation for the year 2023	63,225,609	-	63,225,609
Depreciation on disposals during the year 2023	(41,047,725)	-	(41,047,725)
<b>Accumulated depreciation as at 31 December 2023</b>	<b>95,896,136</b>	<b>-</b>	<b>95,896,136</b>
<b>Net book value as at 31 December 2023</b>	<b>407,299,757</b>	<b>320,332,761</b>	<b>727,632,518</b>
Cost as at 1 January 2022	384,349,210	371,114,235	755,463,445
Additions through Birth/ Conversion	186,213,919	192,763,925	378,977,844
Exclusions as a result of Sale or Death or Conversion	(139,286,364)	(186,213,919)	(325,500,283)
Cost as at 31 December 2022	431,276,765	377,664,241	808,941,006
Accumulated depreciation as at 1 January 2022	69,905,137	-	69,905,137
Depreciation for the year 2022	52,109,895	-	52,109,895
Depreciation on disposals during the year 2022	(48,296,780)	-	(48,296,780)
Accumulated depreciation as at 31 December 2022	73,718,252	-	73,718,252
Net book value as at 31 December 2022	357,558,513	377,664,241	735,222,754

## 16. INTANGIBLE ASSETS

	Software and licenses SAR	Capital work in progress SAR	Total SAR
<b>Cost</b>			
Cost as at 1 January 2022	47,845,957	84,572	47,930,529
Additions during the year - 2022	22,573,505	-	22,573,505
Cost as at 31 December 2022	70,419,462	84,572	70,504,034
<b>Additions during the year - 2023</b>	<b>508,027</b>	<b>1,509,742</b>	<b>2,017,769</b>
<b>Transfers during the year - 2023</b>	<b>1,594,314</b>	<b>(1,594,314)</b>	<b>-</b>
<b>Cost as at 31 December 2023</b>	<b>72,521,803</b>	<b>-</b>	<b>72,521,803</b>
<b>Accumulated Amortization</b>			
Accumulated Amortization at January 1, 2022	29,887,711	-	29,887,711
Amortization for the year - 2022	10,127,945	-	10,127,945
Accumulated Amortization as at 31 December 2022	40,015,656	-	40,015,656
<b>Amortization for the year - 2023</b>	<b>8,654,485</b>	<b>-</b>	<b>8,654,485</b>
<b>Accumulated Amortization as at 31 December 2023</b>	<b>48,670,141</b>	<b>-</b>	<b>48,670,141</b>
<b>Net Book Value:</b>			
<b>As at 31 December 2023</b>	<b>23,851,662</b>	<b>-</b>	<b>23,851,662</b>
<b>As at 31 December 2022</b>	<b>30,403,806</b>	<b>84,572</b>	<b>30,488,378</b>

## 17. INVESTMENTS

### 17.1 INVESTMENT IN JOINT VENTURE

	31 December 2023 SAR	31 December 2022 SAR
Arabian Mills for Food Products Company (formerly: The Second Milling Company)*	<b>116,222,014</b>	54,191,236
	<b>116,222,014</b>	<b>54,191,236</b>
Movement of investment in joint venture:		
<b>Balance as at 1 January</b>	<b>54,191,236</b>	50,888,776
Share of results for the year	<b>21,735,857</b>	3,302,460
Additions*	<b>40,294,921</b>	-
<b>Balance as at 31 December</b>	<b>116,222,014</b>	<b>54,191,236</b>

\*During 2023, the Company has increased its ownership in the Arabian Mills for Food Products Company and signed an agreement to purchase 2,500,000 shares, representing 4.87% amounting to SR 36,990,691 wherein the Company paid SR 40,294,921, resulting in goodwill of SR 3,304,230. As of 31 December 2023, the ownership percentage is 14.87% (31 December 2022: 10%) of the capital of the Arabian Mills for Food Products Company.



## 17. INVESTMENTS (continued)

### 17.2 EQUITY INVESTMENTS AT FVOCI

	Ownership (%)	Historical Cost SAR	31 December 2023 SAR	31 December 2022 SAR	Change in Fair Value 2023 SAR	Change in Fair Value 2022 SAR
National Company for Seed Production (Seeds)	13.99%	4,128,000	<b>5,683,000</b>	5,127,000	<b>556,000</b>	(1,994,000)
United Dairy Farms Company	8.26%	600,000	<b>3,266,000</b>	3,219,000	<b>47,000</b>	(2,682,000)
United Poultry Marketing Company (under liquidation)	7.30%	-	-	500,000	-	-
<b>Total</b>		4,728,000	<b>8,949,000</b>	8,846,000	<b>603,000</b>	(4,676,000)
Impairment of Equity Investments at FVOCI			-	(500,000)	-	-
<b>Net Equity Investments at FVOCI</b>			<b>8,949,000</b>	<b>8,346,000</b>	<b>603,000</b>	(4,676,000)

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.

## 18. BIOLOGICAL ASSETS (CURRENT)

	31 December 2023 SAR	31 December 2022 SAR
<b>Balance as at 1 January</b>	<b>28,050,004</b>	24,118,793
Harvested during the year	(28,050,004)	(24,118,793)
Additions during the year	<b>27,644,670</b>	28,050,004
<b>Balance as at 31 December</b>	<b>27,644,670</b>	28,050,004

Current biological assets are representing crops which are measured at cost less Impairment if any.

## 19. INVENTORIES

	31 December 2023 SAR	31 December 2022 SAR
Raw materials	<b>311,176,096</b>	260,080,911
Finished goods	<b>114,822,082</b>	120,100,090
Spare parts	<b>97,066,515</b>	97,923,832
Agricultural products inventory	<b>50,328,779</b>	26,007,116
Packaging materials	<b>49,496,967</b>	67,612,296
Animal products (Manure)	<b>7,627,610</b>	7,695,214
Fuel and oil	<b>7,083,604</b>	5,382,252
	<b>637,601,653</b>	584,801,711
Provision for slow moving inventory	(77,852,238)	(68,746,967)
	<b>559,749,415</b>	516,054,744

### Movement in provision for slow moving inventory

	31 December 2023 SAR	31 December 2022 SAR
Balance as at 1 January	<b>68,746,967</b>	82,990,955
Provision made during the year	<b>31,546,653</b>	17,376,685
Provision utilized for write offs	(21,124,650)	(29,281,848)
Foreign Currency Translation difference	(1,316,732)	(2,338,825)
<b>Balance as at 31 December</b>	<b>77,852,238</b>	68,746,967



## 20. BIOLOGICAL ASSETS - AVAILABLE FOR SALE

	31 December 2023 SAR	31 December 2022 SAR
Biological Assets - Available for Sale	<b>28,929,505</b>	30,232,197
	<b>28,929,505</b>	30,232,197

The Company's biological assets available for sale represents the bulls being sold within a period of one year from its birth. All the bulls are classified as available for sale as the Company requires only cows for producing milk in its normal course of business.

## 21. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2023 SAR	31 December 2022 SAR
Trade receivables, net	<b>353,611,375</b>	349,680,271
Advances to suppliers	<b>108,329,318</b>	39,705,891
Government subsidies due*	<b>105,380,470</b>	108,460,148
Prepaid expenses	<b>33,243,705</b>	34,390,161
Staff receivables	<b>11,654,653</b>	14,483,295
Receivable from a related party (note 36)	<b>2,476,989</b>	1,635,760
Other receivables	<b>11,684,768</b>	6,062,673
	<b>626,381,278</b>	554,418,199
Impairment allowance for government subsidies due	<b>(94,719,292)</b>	(54,219,292)
Impairment allowance for trade receivables	<b>(49,994,188)</b>	(53,180,647)
Impairment allowance for prepayments	<b>(17,828,324)</b>	(17,828,324)
	<b>463,839,474</b>	429,189,936

\* 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.

	31 December 2023 SAR	31 December 2022 SAR
<b>Movement in impairment allowance for government subsidies due</b>		
Balance as at 1 January	<b>54,219,292</b>	47,119,095
Charge for the year	<b>40,500,000</b>	7,100,197
<b>Balance as at 31 December</b>	<b>94,719,292</b>	54,219,292

	31 December 2023 SAR	31 December 2022 SAR
<b>Movement in impairment allowance for trade receivables</b>		
Balance as at 1 January	<b>53,180,647</b>	48,658,152
Charge during the year	<b>8,370,839</b>	4,530,346
Written off during the year	<b>(11,549,858)</b>	-
Foreign Currency Translation difference	<b>(7,440)</b>	(7,851)
<b>Balance as at 31 December</b>	<b>49,994,188</b>	53,180,647

## 22. TERM DEPOSITS

	31 December 2023 SAR	31 December 2022 SAR
Cash at banks – Term Deposits *	<u>500,000,000</u>	<u>-</u>
	<u>500,000,000</u>	<u>-</u>

\* The average rate on time deposit (Murabaha) for the period was 6.35% per annum with a maturity of more than three months and less than one year.

## 23. CASH AND CASH EQUIVALENTS

	31 December 2023 SAR	31 December 2022 SAR
Cash at banks – Time Deposits *	<u>500,000,000</u>	<u>-</u>
Cash at banks - Current accounts	<u>326,818,148</u>	<u>105,823,911</u>
Cash in hand	<u>7,868,172</u>	<u>6,938,041</u>
	<u>834,686,320</u>	<u>112,761,952</u>

\*Time deposit represents short-term deposits with local banks with average original maturities of less than three months. The average rate on outstanding bank deposits as 31 December 2023 was between 6.15% and 6.30% per annum for a period of three months or less. Bank deposits are placed in Islamic Murabha accounts.

## 24. SHARE CAPITAL

The Company has 301,640,000 shares as at 31 December 2023 (31 December 2022: 101,640,000) issued and fully paid with a value of SAR 10 per share.

On 4 April 2023 (corresponding to 13 Ramadan 1444H), the Company announced the Board's recommendation to the shareholders to increase the share capital by SAR 2 billion through a rights issue. On 5 October 2023 (corresponding to 20 Rabi Al-Awwal 1445H), the Capital Market Authority ("CMA") has approved the Company's application for capital increase. The purpose of the capital increase is to fund the Company's 2023–2027 strategy, which aims to grow business operations, develop new markets, and expand the product range. The right issue is approved of the shareholders of the company in an extraordinary general assembly meeting dated 5 November 2023 (corresponding to 21 Rabi' Al-Thani 1444H).

## 25. STATUTORY RESERVE

In accordance with the new Company's regulation and amended Company's article of association, during the year, no transfer made to statutory reserve from retained earning of the company.

## 26. OTHER RESERVES

	SAR
<b>Balance as at 1 January 2022</b>	25,204,429
<b>Changes</b>	
Change in Fair value of Equity Investment at FVOCI	(4,676,000)
Actuarial Valuation adjustments to Other Reserves	6,998,496
Foreign currency translation differences	1,518,828
Total adjustments to Other Components of Equity	<u>3,841,324</u>
<b>Balance as at 31 December 2022</b>	<u>29,045,753</u>
<b>Changes</b>	
Change in Fair value of Equity Investment at FVOCI	603,000
Actuarial Valuation adjustments to Other Reserves	10,238,306
Foreign currency translation differences	(901,603)
Total adjustments to Other Components of Equity	<u>9,939,703</u>
<b>Balance as at 31 December 2023</b>	<u>38,985,456</u>

## 27. MURABAHA LOANS AND BORROWINGS

	Currency	Interest Rate	Due Date	31 December 2023		31 December 2022	
				Nominal Value	Book Value	Nominal Value	Book Value
				SAR'000	SAR'000	SAR'000	SAR'000
Islamic Banking Facilities (Murabaha) (27.1)	SAR	SIBOR + bank margin	2024-2028	366,737	372,903	1,416,151	1,427,740
Agricultural Development Fund Loan (27.2)	SAR	Fixed	2024-2027	3,490	3,490	97,748	97,748
<b>Total Loans</b>				<b>370,227</b>	<b>376,393</b>	<b>1,513,899</b>	<b>1,525,488</b>

The weighted average interest rate on bank loans during the year 2023 was 6.46% (2022: 3.39%) 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 2023	31 December 2022
	SAR'000	SAR'000
<b>Non-current liabilities</b>		
Loans secured by Guarantees	2,501	3,481
Loans not secured by any Guarantee or Security	95,238	889,425
	<b>97,739</b>	<b>892,906</b>
<b>Current liabilities</b>		
Loans secured by Guarantees	989	94,267
Loans not secured by any Guarantee or Security	277,665	538,315
	<b>278,654</b>	<b>632,582</b>

### 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. The maturity dates of these facilities are ranging between 2024 to 2028 as agreed with the respective banks and are mostly of a revolving nature. The amount of unused facilities as at 31 December 2023 amounted to SAR 828 million (31 December 2022: SAR 1,145 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 paid SAR 5 million out of the total loan as at 31 December 2023 (31 December 2022: SAR 4.16 million).

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 Company paid SAR 1.40 million out of the total loan as at 31 December 2023 (31 December 2022: SAR 1.25 million).

The balance of these loans from Agricultural Development Fund on 31 December 2023 amounted to SAR 3.5 million (31 December 2022: SAR 97.7 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:

	<b>31 December 2023 SAR</b>	31 December 2022 SAR
<b>Opening balance</b>	<b>152,770,825</b>	163,003,443
Interest Cost	<b>6,031,913</b>	4,543,802
Current Service Cost	<b>15,312,753</b>	15,308,849
Past service cost	<b>9,057,451</b>	-
Benefits Paid	<b>(24,987,537)</b>	(23,086,773)
Actuarial gain in Other Comprehensive Income	<b>(10,238,306)</b>	(6,998,496)
<b>Closing Balance</b>	<b>147,947,099</b>	152,770,825

The value of the amounts that have been adjusted for the year ended 31 December 2023 and 31 December 2022 are as follows, according to the Actuarial study conducted

	<b>31 December 2023 SAR</b>	31 December 2022 SAR
Current Service cost	<b>15,312,753</b>	15,308,849
Interest cost	<b>6,031,913</b>	4,543,802
Past service cost	<b>9,057,451</b>	-
<b>Expense charged to Statement of Profit or Loss for the year</b>	<b>30,402,117</b>	19,852,651

Other comprehensive income related to the Employee Benefits Plan for the years 2023 and 2022 consists of the following items:

	<b>31 December 2023 SAR</b>	31 December 2022 SAR
Actuarial gain resulting from changes in financial assumptions	<b>(5,479,953)</b>	(737,149)
Actuarial gain resulting from experience adjustment	<b>(4,758,353)</b>	(6,261,347)
<b>Actuarial gain in Other Comprehensive Income</b>	<b>(10,238,306)</b>	(6,998,496)

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

	<b>31 December 2023</b>	31 December 2022
Discount rate	<b>4.75%</b>	4.30%
Expected salary increase rate	<b>5.00%</b>	5.00%
Withdrawal from work (Average Ratio)	<b>Age: Ratio 18-25:18.75% 26-30:15.00% 31-50:7.50% +51:3.75%</b>	<b>Age: Ratio 18-25:18.75% 26-30:15.00% 31-50:7.50% +51:3.75%</b>

## 29. TRADE AND OTHER PAYABLES

	31 December 2023 SAR	31 December 2022 SAR
Trade creditors	410,981,117	453,858,151
Accrued expenses	234,730,870	128,653,169
Employee benefits	87,901,393	60,910,897
Advances from customers	16,492,125	7,014,307
Payable to related parties (note 36)	1,578,865	11,266,109
Other payables	22,929,969	18,363,980
	<b>774,614,339</b>	<b>680,066,613</b>

## 30. UNDISTRIBUTED RIGHTS ISSUE COMPENSATION

This represents the undistributed rights issue compensation to eligible investors who have not exercised their right to subscribe to new shares. The Company were unable to transfer these amount of compensation to the beneficiaries as a result of the lack of sufficient information about the beneficiaries' account numbers.

## 31. DIVIDEND PAYABLES

Below table represents the movement in the Dividend Payables.

	SAR
<b>Balance as at 1 January 2022</b>	32,809,778
Paid during the year 2022	(229,455)
<b>Balance as at 31 December 2022</b>	32,580,323
Paid during the year 2023	(240,131)
<b>Balance as at 31 December 2023</b>	<b>32,340,192</b>

## 32. PROVISION FOR ZAKAT

	31 December 2023 SAR	31 December 2022 SAR
Opening balance	77,161,135	72,250,415
Zakat provision for current year	14,200,000	6,000,000
Zakat reversal for previous years	(26,000,000)	-
Zakat on Crops (Sudan)	-	2,624
<b>Total charged to Statement of Profit or Loss</b>	<b>14,200,000</b>	<b>6,002,624</b>
Zakat paid during the Year	(19,667,614)	(1,091,904)
<b>Closing Balance</b>	<b>45,693,521</b>	<b>77,161,135</b>

The Company filed its Zakat return for all years up to 2022 and obtained Zakat certificates for the years up to 2022 from the Zakat, Tax and Customs Authority ("ZATCA" or "the Authority").

The Authority issued Zakat assessments for the years 2019-2020, the Company objected to some of its items with the Authority and presently these objections are pending for discussion. The Company has filed its Zakat return for years 2021 and 2022 and still under process with the Authority. During the year, the Company received final assessments for the years from 2014 to 2018 and based on these final assessments the Company has reversed provision of SAR 26 million.

### 33. COMMITMENT AND CONTINGENCIES

#### Capital commitments

Capital commitments amounted to SAR 55.6 million against contracts for the supply of property, plant and equipment as at 31 December 2023 (31 December 2022: SAR 67.78 million)

#### Letters of credit

The contingent liabilities against letters of credit are SAR 196.4 million as at 31 December 2023 (31 December 2022: SAR 172.65 million).

#### Letters of guarantee

The contingent liabilities against letters of guarantee are SAR 47.2 million as at 31 December 2023 (31 December 2022: SAR 44.60 million).

### 34. 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 2023						
	Carrying Amount			Fair Value			
	Amortized cost	Fair Value	Total	Level 1	Level 2	Level 3	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
<b>Financial Assets</b>							
Equity Investment at FVOCI	-	8,949	8,949	-	8,949	-	8,949
Trade and Other Receivables	374,259	-	374,259	-	-	-	-
Term deposit	500,000	-	500,000	-	-	-	-
Cash and cash equivalent	834,686	-	834,686	-	-	-	-
	<b>1,708,945</b>	<b>8,949</b>	<b>1,717,894</b>	<b>-</b>	<b>8,949</b>	<b>-</b>	<b>8,949</b>
<b>Financial Liabilities</b>							
Trade and Other Payables	732,702	-	732,702	-	-	-	-
Loans	376,259	-	376,259	-	-	-	-
Lease Liabilities	52,672	-	52,672	-	-	-	-
	<b>1,161,633</b>	<b>-</b>	<b>1,161,633</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	31 December 2022						
	Carrying Amount			Fair Value			
	Amortized Cost	Fair Value	Total	Level 1	Level 2	Level 3	Total
	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000	SAR'000
<b>Financial Assets</b>							
Equity Investment at FVOCI	-	8,346	8,346	-	8,346	-	8,346
Trade and Other Receivables	368,436	-	368,436	-	-	-	-
Cash and cash equivalent	112,762	-	112,762	-	-	-	-
	<b>481,198</b>	<b>8,346</b>	<b>489,544</b>	<b>-</b>	<b>8,346</b>	<b>-</b>	<b>8,346</b>
<b>Financial Liabilities</b>							
Trade and Other Payables	636,194	-	636,194	-	-	-	-
Loans	1,525,488	-	1,525,488	-	-	-	-
Lease Liabilities	55,371	-	55,371	-	-	-	-
	<b>2,217,053</b>	<b>-</b>	<b>2,217,053</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 35. 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, short- and long-term loans, due to related parties and accrued expenses, as well as other current liabilities.

#### 35.1 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 2023</b>	31 December 2022
	<b>SAR'000</b>	SAR'000
Term deposit	<b>500,000</b>	-
Cash and bank balances	<b>834,686</b>	112,761
Trade and other receivables	<b>374,259</b>	368,435
	<b><u>1,708,945</u></b>	<u>481,197</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 87% of the balances in Saudi Arabia and 13% of the outstanding balances in the GCC as at 31 December 2023 (31 December 2022: 84% and 16% respectively).

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



### 35. Financial Risk Management (CONTINUED)

#### 35.2 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.

Payable as of 31 December 2023	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	-	239,522,875	51,035,972	85,834,454	-	376,393,301
Trade Payables	-	410,981,117	-	-	-	410,981,117
Lease Liability repayment	-	4,466,420	9,352,760	36,219,461	2,633,234	52,671,875
<b>Total</b>	-	654,970,412	60,388,732	122,053,915	2,633,234	840,046,293

Payable as of 31 December 2022	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	-	339,820,872	391,434,283	919,665,578	-	1,650,920,733
Trade Payables	-	453,858,151	-	-	-	453,858,151
Lease Liability repayment	-	8,189,270	9,576,550	30,698,474	8,612,403	57,076,697
<b>Total</b>	-	801,868,293	401,010,833	950,364,052	8,612,403	2,161,855,581

#### • 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 2023 SAR	31 December 2022 SAR
Islamic and Government Murabaha Loans	376,393,301	1,525,487,745
Trade and Other Payables	774,614,339	680,066,613
Employee Benefit Obligations	147,947,099	152,770,825
Provision for Zakat	45,693,521	77,161,135
Dividend Payable	32,340,192	32,580,323
Lease Liabilities	52,671,875	55,371,282
<b>Total Debt</b>	<b>1,429,660,327</b>	<b>2,523,437,923</b>
Term deposit	(500,000,000)	-
Cash and cash equivalent	(834,686,320)	(112,761,952)
<b>Net Debt</b>	<b>94,974,008</b>	<b>2,410,675,971</b>
Shareholders' Equity	3,592,844,105	1,295,145,709
Ratio of borrowing - indebtedness (Shareholder's equity / net debt)	37.83	0.54

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.



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

#### 35.2 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 2023 and the year ended 31 December 2022.

#### 35.3 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 2023	Downward 2023	Upward 2022	Downward 2022
		2023	2022				
Price for \$1	1.00%	3.75	3.75	(867,624)	867,624	(352,164)	352,164
Price for € 1	1.00%	4.09	3.98	(41,635)	41,635	(73,372)	73,372
				<u>(909,259)</u>	<u>909,259</u>	<u>(425,536)</u>	<u>425,536</u>

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 2023	1%	13,702,481	(13,702,481)
31 December 2022	1%	15,809,954	(15,809,954)

### 36 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:

<i>Company</i>	<i>Relationship with NADEC</i>	<i>Nature of Transaction</i>	<i>Receivables/ (Payables) Balance</i> <i>31 December 2022 SAR</i>	<i>Sales/ (purchases)</i> <i>Movement during 2023 SAR</i>	<i>Payments/ (collections)</i> <i>31 December 2023 SAR</i>	<i>Receivables/ (Payables) Balance</i> <i>31 December 2023 SAR</i>
Minerva Foods Company	Common Directorship	Purchase of meat	-	(3,765,959)	6,242,949	2,476,989
Arabian Mills for Food Products Company (formerly: The Second Milling Company)	Joint Venture	Compensation for Cancellation of contract	1,635,760	10,000,000	(10,000,000)	(1,578,865)
		Purchases of raw material		(27,511,137)	24,296,512	
<i>Company</i>	<i>Relationship with NADEC</i>	<i>Nature of Transaction</i>	<i>31 December 2021 SAR</i>	<i>2022 SAR</i>	<i>31 December 2022 SAR</i>	
Saudi Plastic Packaging Systems*	Common Directorship	Purchase of Plastic Materials	(4,405,100)	(28,217,191)	25,117,040	(7,505,251)
Integrated Packaging Industries Company (formerly: Al-Kifah Holding Company)*	Common Directorship	Purchase of Packing material	(1,837,650)	(8,933,912)	8,622,821	(2,148,741)
Al Sharq Plastic Industries Co. LTD*	Common Directorship	Purchase of Packing material	(1,242,675)	(7,182,593)	6,813,151	(1,612,117)
Al Watania Agriculture*	Common Directorship	Purchase of Olive oil	-	(7,821,290)	7,530,470	93,168
		Sales of NADEC Products		383,988	-	
Arabian Mills for Food Products Company (formerly: The Second Milling Company)	Joint Venture	Income for technical services	1,691,063	5,808,465	(5,808,465)	1,635,760
		Purchases of raw material		(22,694,943)	22,639,640	

\* These companies are not related parties for the year ended 31 December 2023 as there is no common directorship.

#### Transactions with Key Management Personnel:

	<b>31 December 2023 SAR</b>	<b>31 December 2022 SAR</b>
Short term benefits	14,866,804	7,633,629
Long-term benefits	2,070,846	1,506,621
<b>Total Benefits of Senior Management Personnel</b>	<b>16,937,650</b>	<b>9,140,250</b>

#### Board of Directors remuneration

On 14<sup>th</sup> Jumada Al-Akhirah 1445H (corresponding to 27 December 2023), amount of Saudi Riyal Three Million and Eight Hundred and Twenty-Eight Thousand were paid as remuneration to the members of the Board of Directors.

### 37 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.

### 38 RECLASSIFICATION IN COMPARATIVES

During the year ended 31 December 2023, the Company reclassified some balances as shown below which management considers a more accurate presentation to reflect their related nature:

#### Balances of financial position statement have been reclassified:

	31 December 2022 (before reclassification) SAR	Reclassified balances SAR	31 December 2022 (after reclassification) SAR
<b>Assets</b>			
Property, plant and equipment	1,713,201,726	109,535,308	1,822,737,034
Capital work in progress	109,619,880	(109,619,880)	-
Intangible assets	30,403,806	84,572	30,488,378
Trade receivables, prepayments, and other receivables	371,286,448	57,903,488	429,189,936
Prepayments	56,267,728	(56,267,728)	-
<b>Liabilities</b>			
Trade and other payables	678,430,853	1,635,760	680,066,613

#### Amounts of statement of profit and loss been reclassified:

	31 December 2022 (before reclassification) SAR	Reclassified amounts SAR	31 December 2022 (after reclassification) SAR
Impairment losses for other receivables and prepayments	(7,100,197)	7,100,197	-
Impairment losses for trade receivables, and other receivables	(4,530,346)	(7,100,197)	(11,630,543)
Write off/ impairment losses on property, plant and equipment	(9,358,012)	(650,000)	(10,008,012)
Write off/ impairment losses on capital working in progress	(650,000)	650,000	-

### 39 APPROVAL BY THE BOARD OF DIRECTORS

These Financial Statements for the year ended 31 December 2023 were approved by the Board of Directors on 7 Sha'ban 1445H corresponding to 17 February 2024.