THE NATIONAL AGRICULTURAL DEVELOPMENT COMPANY (NADEC)

(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED

31 DECEMBER 2019

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

INDEX

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Independent Auditor's Report

To the Shareholders of National Agricultural Development Company

Opinion

We have audited the financial statements of National Agricultural Development Company ("the Company"), which comprise the statement of financial position as at 31 December 2019, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of National Agricultural Development Company (continued)

Key Audit Matters (continued)

Revenue recognition

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

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2019, the Company recognized total revenue of SR 2.22 billion (2018: SR 2.10 billion). The Company's sales arrangements are on point of sales basis with the right of return provided to customers in case of expiry of product sold. Revenue recognition is considered as a key audit matter since revenue is a key measure of Company's performance and the Company may overstate revenue by under estimating the expected sales returns	Our audit procedures in this area, included among others: - Obtaining an understanding of the process followed by management for recognition of revenue, and assessed the design and implementation and tested the operating effectiveness of management's key internal controls over the revenue recognition process; - Evaluating the Company's revenue recognition accounting policy, including method of estimating the sales return; - Evaluating key contractual arrangements with customers, including customers' right to return products sold by considering relevant documentation and agreements with the customers; - Testing a sample of sales transactions during the year and inspecting the underlying goods delivery and acceptance notes to assess compliance with Company's revenue recognition accounting policy; and - Testing calculation of sales return provision at year end to assess its compliance with Company policy for sales return provision and historical experience.

Independent Auditor's Report

To the Shareholders of National Agricultural Development Company (continued)

Key Audit Matters (continued)

Recoverability of Assets pertaining to Sudan Project

See Note 3 to the financial statements for the accounting policy relating to impairment of non-financial assets and Note 15 to the financial statements for the related disclosures.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the Company holds land in Sudan under a lease arrangement for the purpose of cultivation of forage. The cultivation of this land started in 2014, however, the cultivation has not reached the yield and quality of the crop required for the intended use of management. Hence, the Company has capitalized the costs directly related to development of land including depreciation of assets used for the land development. The total assets of Sudan operations amounted to SR 186 million as at 31 December 2019, out of which SR 79.98 million are recorded as development costs under Capital Work in Progress and the remaining is recorded as Property Plant and Equipment. An assessment for impairment was carried out by management which includes a comparison of the carrying value of the non-financial assets of the cash-generating-unit (CGU) in Sudan to the recoverable amount of the CGU. Management has used the value-in-use (VIU) model to determine the recoverable amount, under which the future cashflows relating to the relevant CGU were discounted and compared to its carrying amounts. VIU model requires input of several key assumptions, including estimated of future sales volumes, prices, operating costs, terminal value, growth rates and discount rates. This is considered as a Key Audit Matter as determination of costs that are eligible for capitalization involves judgement. Further, while land is in development phase there is a need to assess impairment of the Sudan operations as a whole considering the economic benefits expected from the operations considering yield enhancement, future inflation and also country and other regulatory risks.	Our audit procedures in this area included, among others: - Evaluating the identification of the CGU within the Company against the requirements of the applicable accounting standards; - Considering the basis of the valuation methodologies used in determining the VIU of the CGU; - Involving our specialist to test the key assumptions used in the management's VIU calculation; - Evaluating management's key assumptions used in the cashflow projections including growth rates, terminal yield rates and discount rates used in the model; - Checking the accuracy and completes of the information produced by management, which was used as the basis of the impairment assessment; and - Considering the Company's disclosures in terms of applicable accounting standards.

Independent Auditor's Report

To the Shareholders of National Agricultural Development Company (continued)

Key Audit Matters (continued)

Implementation of IFRS 16 "Leases"

See Note 3 to the financial statements for the accounting policy relating to leases and Note 14 to the financial statements for the related disclosures.

The key audit matter	How the matter was addressed in our audit
The Company has adopted IFRS 16 "Leases" with effect from 1 January 2019 which supersedes the requirement of IAS 17 "Leases". IFRS 16 introduces a new lease accounting model, where lessees are required to recognize a Right-of-Use (ROU) asset and a lease liability arising from a lease on its statement of financial position. The Company has applied IFRS 16 initially on 01 January 2019 using the modified retrospective approach. Therefore, the cumulative impact of adopting IFRS 16 has not been recognized as an adjustment to the opening Retained Earnings at 1 January 2019, with no comparative restatement. As a result, the Company has recognized ROU assets of SAR 74 million and lease liabilities of SAR 70 million. The application and adoption of IFRS 16 is considered as a key audit matter given the high volume of lease arrangements. Significant judgement is required in the assumptions and estimates made in order to determine the ROU assets and lease liabilities. The assumptions and estimates include assessment of lease term and the determination of appropriate discount rates.	Our audit procedures in this area, included among others: - Evaluating the appropriateness of the selection of accounting policies based on the requirements of IFRS 16, our business understanding and industry practice. - Considering the appropriateness of the transition approach and practical expedients applied. - Evaluating management's process for identifying lease contracts to be assessed based on the selected transition approach and any practical expedients applied. - Evaluating the reasonableness of management's key judgements and estimates made in preparing the transition adjustments. - Evaluating the completeness, accuracy and relevance of the transition disclosures.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Independent Auditor's Report

To the Shareholders of National Agricultural Development Company (continued)

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Independent Auditor's Report

To the Shareholders of National Agricultural Development Company (continued)

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

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

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

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

For KPMG Al Fozan & Partners
Certified Public Accountants

Dr. Abdullah Hamad Al Fozan
License No: 348

Al Riyadh, 2 Sha'ban 1441H
Corresponding to: 26 March 2020

C.R. 46 KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

	Note	31 December 2019 SAR	31 December 2018 SAR
Assets			
Non-Current Assets			
Property, Plant and Equipment	13	2,084,375,922	2,142,232,958
Right of Use Assets	14	69,713,717	-
Capital Work in Progress	15	112,532,259	194,810,072
Biological Assets	16	552,595,379	514,294,402
Intangible Assets	17	11,650,458	8,003,696
Equity Investment at FVOCI	18	6,372,000	8,249,000
Prepayments	22	-	2,404,286
Total Non-Current Assets		2,837,239,735	2,869,994,414
Current Assets			
Biological Assets	19	39,105,460	42,083,210
Inventory	20	547,746,877	558,116,967
Biological Assets - Available for Sale	21	22,228,936	22,026,090
Trade Receivables, Prepayments and Other Receivables	22	435,122,193	435,093,240
Derivative Financial Instrument	23	482,300	-
Cash and Bank Balances	24	62,031,969	35,219,477
Total Current Assets		1,106,717,735	1,092,538,984
Total Assets		3,943,957,470	3,962,533,398
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Share Capital	25	847,000,000	847,000,000
Statutory Reserve	26	180,673,185	180,673,185
Other Reserves	27	20,637,006	19,113,701
Retained Earnings		392,167,953	399,466,374
Total Shareholders' Equity		1,440,478,144	1,446,253,260
Non-Current Liabilities			
Murabaha Loans and Borrowings	28	1,046,272,854	658,517,932
Lease Liabilities	14	42,066,460	-
Deferred Income		6,184,482	6,726,369
Employee Benefits Obligation	29	165,813,558	164,818,261
Total Non-Current Liabilities		1,260,337,354	830,062,562
Current Liabilities			
Trade and Other Payables	30	556,731,342	442,393,892
Murabaha Loans and Borrowings	28	315,978,167	754,892,275
Murabaha Loans and Borrowings - Current Portion	28	273,760,010	420,990,497
Lease Liabilities	14	34,559,845	-
Dividend Payables	31	33,381,206	33,618,115
Provision for Zakat	32	28,731,402	34,322,797
Total Current Liabilities		1,243,141,972	1,686,217,576
Total Liabilities		2,503,479,326	2,516,280,138
Total Shareholders' Equity and Liabilities		3,943,957,470	3,962,533,398

The accompanying notes 1 to 38 are an integral part of these financial statements
These financial statements appearing on pages (7) to (46) were approved by the Board of Directors and were signed on its behalf by

Syed Mohammad Naseer Ali Chief Financial Officer	Eng. Abdulaziz Bin Mohamed Al Babtain Chief Executive Officer	Mazen Ahmed AlJubeir Chairman

Naseer

	Note	31 December 2019 SAR	31 December 2018 SAR
Revenue	6	**2,225,255,972**	2,096,026,044
Cost of Sales	7	**(1,380,659,424)**	(1,320,946,044)
Gross Profit		**844,596,548**	775,080,000
Selling and Marketing Expenses	8	**(537,934,493)**	(525,577,659)
General and Administrative Expenses	9	**(114,785,256)**	(119,033,145)
Impairment Losses on Trade Receivables	22	**(6,881,449)**	(6,679,759)
Other Income, net	10	**10,906,878**	1,158,922
Impairment losses on Property, Plant and Equipment & Land development cost written off.	15& 13	**(79,984,391)**	(52,674,671)
Total Expenses		**(728,678,711)**	(702,806,312)
Operating Profit		**115,917,837**	72,273,688
Net loss on Derivative Financial Instruments	23	**(42,938,915)**	-
Finance cost	11	**(75,362,830)**	(67,598,620)
(Loss)/ Profit before Zakat		**(2,383,908)**	4,675,068
Zakat	32	**(4,914,513)**	(2,933,628)
(Loss)/ Profit for the year		**(7,298,421)**	1,741,440
(Loss)/ Earnings per share based on loss/profit per year attributable to ordinary shareholders			
Basic and Diluted	12	**(0.09)**	0.02

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Syed Mohammad Naseer Ali Chief Financial Officer	Eng. Abdulaziz Bin Mohamed Al Babtain Chief Executive Officer	Mazen Ahmed AlJubeir Chairman

Naseer

	Note	**31 December 2019 SAR**	31 December 2018 SAR
(Loss)/ Profit for the year		**(7,298,421)**	1,741,440
Items that will not be reclassified to Profit or Loss			
Re-measurement gain in Defined Benefit Plans	**29**	**3,400,305**	15,269,488
Movement in Equity Investment at fair value through Other Comprehensive Income (FVOCI)	18	**(1,877,000)**	3,925,000
Total Items that will not be reclassified to Profit or Loss		**1,523,305**	19,194,488
Total other comprehensive income		**1,523,305**	19,194,488
Total Comprehensive (Loss)/ Income for the year		**(5,775,116)**	20,935,928

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Syed Mohammad Naseer Ali Chief Financial Officer	Eng. Abdulaziz Bin Mohamed Al Babtain Chief Executive Officer	Mazen Ahmed AlJubeir Chairman

Naser

The National Agricultural Development Company (NADEC)
A Saudi Joint Stock Company
Statement of Changes in Shareholders' Equity for the year ended 31 December 2019

	Share Capital	Statutory Reserve	Other Reserves	Retained Earnings	Total Shareholders' Equity
			SAR		
Balance at 1 January 2019	**847,000,000**	**180,673,185**	**19,113,701**	**399,466,374**	**1,446,253,260**
(Loss)/ Profit for the year	-	-	-	**(7,298,421)**	**(7,298,421)**
Other Comprehensive Income for the year	-	-	**1,523,305**	-	**1,523,305**
Total Comprehensive Income/ (Loss)	-	-	**1,523,305**	**(7,298,421)**	**(5,775,116)**
Transfer to Statutory Reserve	-	-	-	-	-
Balance at 31 December 2019	**847,000,000**	**180,673,185**	**20,637,006**	**392,167,953**	**1,440,478,144**
Balance at 1 January 2018	847,000,000	180,499,041	(80,787)	397,899,078	1,425,317,332
Profit for the year	-	-	-	1,741,440	1,741,440
Other Comprehensive Loss for the year	-	-	19,194,488	-	19,194,488
Total Comprehensive Income	-	-	19,194,488	1,741,440	20,935,928
Transfer to Statutory Reserve	-	174,144	-	(174,144)	-
Balance at 31 December 2018	847,000,000	180,673,185	19,113,701	399,466,374	1,446,253,260

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Syed Mohammad Naseer Ali Chief Financial Officer	Eng. Abdulaziz Bin Mohamed Al Babtain Chief Executive Officer	Mazen Ahmed AlJubeir Chairman

Naser

	Note	31 December 2019 SAR	31 December 2018 SAR
Cash flows from Operating Activities			
(Loss)/ Profit for the year		**(7,298,421)**	1,741,440
Adjustments for			
Depreciation – Property Plant and Equipment and Biological Assets	13&16	**248,877,839**	269,554,663
Depreciation – Right of Use Assets	14	**25,753,216**	-
Amortization	17	**3,137,030**	2,892,194
Zakat Expense	32	**4,914,513**	5,054,628
Zakat reversal	32	-	(2,121,000)
Deferred income		**(541,887)**	(9,046,933)
Employee Benefits Obligation	29	**23,716,477**	36,435,835
Impairment Losses on Trade Receivables	22	**6,881,449**	6,679,759
Inventory Provision movement, net	20	**1,293,518**	(4,281,781)
Finance Cost	11	**75,362,830**	67,598,620
Unrealized gain on Derivative Financial Instruments	23	**(482,300)**	-
Loss on sale of Property Plant and Equipment and Biological Assets	10	**1,794,067**	23,100,149
Impairment losses on Property, Plant and Equipment & Land development cost written off.	15 &13	**79,984,391**	52,674,671
		463,392,722	450,282,245
Changes in			
Inventory and Biological Assets - Available for Sale		**8,873,726**	78,821,732
Biological Assets		**2,977,750**	(7,384,303)
Trade Receivables, Prepayments and Other Receivables		**(8,544,997)**	(100,120,551)
Trade and Other Payables		**114,337,450**	37,507,475
		581,036,651	459,106,598
Zakat Paid	32	**(10,505,908)**	(188,947)
Employee Benefits Paid	29	**(19,320,876)**	(23,224,328)
Net Cash from Operating Activities		**551,209,867**	435,693,323
Cash flows from Investing Activities			
Acquisition of Property, Plant and Equipment, Intangible Assets and Biological Assets	13,15, 16&17	**(310,577,351)**	(244,928,115)
Proceeds from sales of Property, Plant and Equipment and Biological Assets		**74,971,134**	53,032,063
Net Cash Used in Investing Activities		**(235,606,217)**	(191,896,052)
Cash flows from Financing Activities			
Proceeds from Murabaha Loans and Borrowings		**475,864,183**	78,138,897
Repayment of Murabaha Loans and Borrowings		**(679,572,635)**	(262,347,754)
Finance Cost Paid		**(66,276,229)**	(64,864,327)
Payment of Lease Liabilities		**(18,569,568)**	-
Dividend Paid		**(236,909)**	(224,157)
Net Cash Used in Financing Activities		**(288,791,158)**	(249,297,341)
Net Change in Cash and Cash Equivalents		**26,812,492**	(5,500,070)
Cash and Cash Equivalents at beginning of the year		**35,219,477**	40,719,547
Cash and Cash Equivalents at end of the year	24	**62,031,969**	35,219,477

The accompanying notes 1 to 38 are an integral part of these financial statements

These financial statements appearing on pages (7) to (46) were approved by the Board of Directors and were signed on its behalf by

Syed Mohammad Naseer Ali Chief Financial Officer	Eng. Abdulaziz Bin Mohamed Al Babtain Chief Executive Officer	Mazen Ahmed AlJubeir Chairman

Naser

1. THE COMPANY AND ITS OPERATIONS

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

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

The Company's financial year begins on January 1 and ends at the end of December of the same year.
The Company's registered office is located at the following address:
Riyadh - Kingdom of Saudi Arabia
P.O. Box 2557 Riyadh 11461

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

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

2.3 Functional and Presentation Currency

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

2.4 Comparatives

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

3. SIGNIFICANT ACCOUNTING POLICIES

A. New Standards and Amendments Issued and not yet effective:

Following are the new standards and amendments to standards which are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Company has not opted for early adoption of the same in preparing these annual Financial Statements. These amended standards and interpretations are not expected to have a significant impact on the financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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

The Company has applied IFRS 16 Leases effective 1 January 2019. The Company applies IFRS 16 using modified retrospective approach accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented the information relating to leases, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in IFRS 16 have not been applied to comparative information.

1. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 3 (L).

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered or changed on or after 1 January 2019.

2. As a lessee

As a lessee, the Company leases many assets including buildings, trucks and other transportation vehicles. The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly, all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

2.1 Leases classified as operating leases under IAS 17

Previously, the Company classified all leases as operating leases under IAS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

B. Changes in Significant Accounting Policies due to initial applications of new standards – (Continued)

3. Impact on statement of financial position on transition (as at January 2019)

Assets	As previously reported SAR	Effect of IFRS 16 SAR	Restated SAR
Right of Use Assets	-	74,000,287	74,000,287
Prepayments – Non-current	2,404,286	(2,404,286)	-
Prepayments –Current	74,433,631	(1,634,595)	72,799,036
Total assets	**76,837,917**	**69,961,406**	**146,799,323**
Liabilities			
Lease liabilities	-	69,961,406	69,961,406
Total liabilities	-	**69,961,406**	**69,961,406**

4. Reconciliation of lease liabilities pursuant to IFRS 16:

	SAR
Minimum lease payments under operating leases as at 31 December 2018	**113,542,282**
Recognition Exemption	
For short- term lease and for leases ending within 12 months from the transition date	(34,795,692)
Effect from discounting at the incremental borrowing rate as of January 1, 2019	(8,785,184)
Lease Liabilities as at 1 January 2019	**69,961,406**

C. Cash and Cash Equivalents

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

D. Trade and Other Receivables

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

E. Inventories

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

F. Property, Plant and Equipment

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

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

Property, Plant and Equipment are initially recognised 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 recognised 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 recognised 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 recognised 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) as follows:

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

Property, Plant and Equipment are derecognised 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 derecognised.

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

G. Capital Work in Progress

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

H. Biological Assets

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

H. Biological Assets – (Continued)

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

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

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

Description	Number of years
Biological Assets (Cows)	5

I. Intangible Assets

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

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

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised 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 recognised in the Statement of Profit or loss when the asset is derecognised.

J. Trade and Other Payables

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

K. Provisions

Provision is recognised 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 recognised 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 recognised in the financial statements but are disclosed as Contingent Liabilities unless the possibility of an outflow of economic resources is considered unreliable.

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

L. Leases

As mentioned in note 3B, the Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately.

i. Policy applicable from 1 January 2019

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. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct the use of the asset if either:
  - the Company has the right to operate the asset; or
  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

L. Leases– (Continued)

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.

ii. Policy applicable prior to 1 January 2019

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement transfers a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Company as a Lessee

Finance leases that transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability. Finance Charges are recognised in Finance Costs in the Statement of profit or loss. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

An Operating Lease is a lease in which operating lease payments are recognised as operating expenses in the Statement of profit or loss on a straight-line basis over the lease term

M. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying asset (an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) form part of the cost of that asset (refer 13.2). No borrowing costs are capitalised during idle periods.

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

N. Segment Reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

O. Government Grants

Government grants, including non-monetary grants at fair value, shall not be recognised 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 recognised 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 recognised 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 recognised in profit or loss Statement 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 nominal amounts 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.

The benefit of a Government loan at a below-market rate of interest is treated as a Government Grant. The loan is recognised and measured in accordance with IFRS 9 – Financial Instruments.

P. Statutory Reserve

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

Q. Impairment of Non-Financial Assets

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

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

R. Foreign Currency Transaction

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

S. Revenue Recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Revenue Recognition – (Continued)

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised 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 recognised 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 recognised for expected volume discounts payable to customers in relation to sales made during the year.

T. Share Capital

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

U. Dividends

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

V. Expenses

Selling and marketing expenses are those expenses rising 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 and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis.

W. Zakat

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

X. Employee Benefits

a) Saudi Employees

Pension and other social benefits for the Company's employees are covered by the applicable social insurance scheme of the countries in which they are employed and are considered as a defined contribution scheme. The employees and employers 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 recognised as an asset to the extent that the cash is recovered, or future payments reduced.

ii. Defined Benefit Plan

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

X. Employee Benefits – (Continued)

II. Defined Benefit Plan – (Continued)

annually by a qualified actuarial expert using the Projected Unit Credit method. Where the calculation results in potential assets of the Company, the recognised 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 recognised 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 recognised 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 recognised 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 recognised in the Statement of Profit or Loss in the period in which they arise.

Y. Financial instruments

I. Non-Derivative Financial Instruments

a. <u>Non-Derivative Financial Assets</u>

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 amortised 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 recognises financial assets on the date that they are originated. All other financial assets are recognised 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 recognised as a separate asset or liability.

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Y. Financial instruments – (Continued)

I. Non-Derivative Financial Instruments – (Continued)

a. Non-Derivative Financial Assets – (Continued)

The Company has the following non-derivative financial assets;

Financial Assets at Amortised 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 amortised cost. Gains or losses on debt investments are subsequently measured at amortised cost and are recognised in the Statement of Profit or Loss when the asset is derecognised 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 recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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

b. Non-Derivative Financial Liabilities

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

The Company derecognises 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 recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities of the Company comprise of bank borrowings 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 recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

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

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

4.1. Impairment of Non-Financial Assets

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

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

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

4.3. Impairment of Non-Derivative Financial Assets

The Company recognises loss allowances for ECLs (Expected Credit Loss) on Financial Assets measured at amortised 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 amortised cost.

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

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

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

4.4. Provision for Slow Moving Inventory Items

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

4.5. Useful Lives of Property, Plant and Equipment

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

4.6. Defined Benefit Plans (Employee Benefits)

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

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

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

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

4.7. 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 in the fair value reserve under Other Reserves under Equity in Statement of Financial Position. (Note 16,18 and 19)

5. OPERATING SEGMENTS

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

The following is a summary of the operating segments as at and for the year ended 31 December 2019

	Dairy and Food	Agriculture	Elimination of Inter-Segment Sales /Unallocated Expenses	Total
	SAR	SAR	SAR	SAR
Revenue				
External Revenue	**2,081,673,743**	**143,582,229**	**-**	**2,225,255,972**
Inter-Segment Revenue	**18,235,800**	**55,910,075**	**(74,145,875)**	**-**
Total Revenue	**2,099,909,543**	**199,492,304**	**(74,145,875)**	**2,225,255,972**
Expenses				
Depreciation and Amortization	**237,851,128**	**39,375,070**	**-**	**277,226,198**
Impairment losses on Capital Work in Progress	-	**(79,984,391)**	-	**(79,984,391)**
Operating Profit	**185,774,775**	**(69,856,938)**	**-**	**115,917,837**
Finance Cost	**(71,818,243)**	**(3,544,587)**	-	**(75,362,830)**
Derivative Financial Instruments	-	-	**(42,938,915)**	**(42,938,915)**
Profit/ (Loss) before Zakat	**113,956,532**	**(73,401,525)**	**(42,938,915)**	**(2,383,908)**
Zakat	**(4,800,000)**	**(114,513)**	-	**(4,914,513)**
Profit/ (Loss) for the year	**109,156,532**	**(73,516,038)**	**(42,938,915)**	**(7,298,421)**
Total Assets	**3,234,033,684**	**709,923,786**	**-**	**3,943,957,470**

The following is a summary of the operating segments as at and for the year ended 31 December 2018

	Dairy and Food	Agriculture	Elimination of Inter-Segment Sales / unallocated expenses	Total
	SAR	SAR	SAR	SAR
Revenue				
External Revenue	1,868,795,993	227,230,051	-	2,096,026,044
Inter-Segment Revenue	18,192,800	215,171,385	(233,364,185)	-
Total Revenue	1,886,988,793	442,401,436	(233,364,185)	2,096,026,044
Expenses				
Depreciation and Amortization	(203,770,864)	(67,555,119)	-	(271,325,983)
Impairment losses on Property, Plant and Equipment	-	(52,674,671)	-	(52,674,671)
Operating Profit	134,908,136	(62,634,448)	-	72,273,688
Finance Cost	(52,824,407)	(14,774,213)	-	(67,598,620)
Profit/ (Loss) before Zakat	82,083,729	(77,408,661)	-	4,675,068
Zakat	(2,744,681)	(188,947)	-	(2,933,628)
Profit/ (Loss) for the year	79,339,048	(77,597,608)	-	1,741,440
Total Assets	3,183,937,977	778,595,421	-	3,962,533,398

5. OPERATING SEGMENTS – (CONTINUED)

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

	31 December 2019 **SAR**	31 December 2018 SAR
Saudi Arabia	**1,946,502,840**	1,832,989,466
Other Countries	**278,753,132**	263,036,578
	2,225,255,972	2,096,026,044

6. REVENUE

	31 December 2019 **SAR**	31 December 2018 SAR
Dairy and Food revenue	**2,061,689,722**	1,856,557,608
Agricultural Products revenue	**100,550,699**	186,257,926
Sales of Calves & Bulls	**62,400,284**	51,801,045
Others	**615,267**	1,409,465
	2,225,255,972	2,096,026,044

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

7. COST OF SALES

	31 December 2019 **SAR**	31 December 2018 SAR
Material Consumed	**983,645,004**	849,491,849
Government Subsidies *	**(85,598,347)**	(58,253,496)
	898,046,657	791,238,353
Depreciation – Property Plant and Equipment and Biological Assets **	**204,716,031**	224,111,750
Employee Benefits	**177,911,360**	188,866,038
Maintenance and Repairs expenses	**55,680,930**	67,056,978
Fees and Government Expenses	**17,310,411**	23,949,033
Rent and Lease Expenses	**4,956,497**	5,973,033
Insurance Expenses on Property, Plant and Equipment	**4,287,955**	4,824,821
Provision for Slow Moving Inventory, net (Note 20)	**1,293,518**	(4,281,780)
Utility Expenses	**660,352**	1,298,075
Amortization	**430,606**	370,575
Other expenses	**15,365,107**	17,539,168
	1,380,659,424	1,320,946,044

* Government subsidies receivable for the import of certain feed items supported by the Government of Saudi Arabia have been recognised against the cost of materials.
** Net of Deferred Income (Government Grant on Property, Plant and Equipment) 2019: SAR 0.542 Million (2018: SAR 1.2 Million).

8. SELLING AND MARKETING EXPENSES

	31 December 2019	31 December 2018
	SAR	SAR
Employee Benefits	**235,492,469**	225,952,663
Marketing and Distribution Expenses	**147,581,097**	156,696,026
Depreciation – Property Plant and Equipment	**40,912,009**	41,929,361
Fees and Government Expenses	**32,545,133**	30,284,432
Depreciation – Right of Use Assets	**25,753,216**	-
Maintenance and Repairs expense	**19,287,611**	19,765,829
Utility Expenses	**15,337,506**	16,536,733
Rent and Lease Expenses	**9,932,873**	16,861,950
Insurance Expenses on Property, Plant and Equipment	**2,489,828**	4,403,604
Amortization	**269,109**	322,939
Other expenses	**8,333,642**	12,824,122
	537,934,493	525,577,659

9. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2019	31 December 2018
	SAR	SAR
Employee Benefits	**81,598,413**	80,170,078
Information Technology Expenses	**12,248,561**	7,755,555
Professional and Consultancy Expenses	**9,231,717**	15,499,876
Depreciation – Property Plant and Equipment	**2,707,912**	2,392,678
Amortization	**2,437,315**	2,198,680
Fees and Government Expenses	**1,247,523**	1,323,277
Utility Expenses	**1,128,356**	1,431,258
Insurance Expenses on Property, Plant and Equipment	**146,272**	134,619
Rent and Lease Expenses	**125,366**	204,626
Other expenses	**3,913,821**	7,922,498
	114,785,256	119,033,145

10. OTHER INCOME, NET

	31 December 2019	31 December 2018
	SAR	SAR
Sales of Ancillary Products	**11,462,149**	20,782,066
Scrap Sales	**3,015,148**	1,242,584
Dividend Income from Equity Investments at FVOCI	**180,000**	300,000
Deferred Income recognised on Impaired Assets (Note 13)	**-**	7,887,932
Net Foreign Exchange Loss	**(1,956,352)**	(5,953,511)
Loss on Sale of Property, Plant and Equipment and Biological Assets, net	**(1,794,067)**	(23,100,149)
	10,906,878	1,158,922

11. FINANCE COST

	31 December 2019	31 December 2018
	SAR	SAR
Interest expense on Murabaha Loans	**62,889,505**	60,513,641
Interest expense on lease liabilities	**3,767,821**	-
Other finance charges	**8,705,504**	7,084,979
	75,362,830	67,598,620

12. LOSS/ EARNINGS PER SHARE

	31 December 2019	31 December 2018
Profit attributable to Ordinary Shareholders' (Saudi Riyal - SAR)	**(7,298,421)**	1,741,440
Weighted Average Number of Ordinary Shares (# of Shares)	**84,700,000**	84,700,000
(Loss)/ Earnings per Share (SAR/Share)	**(0.09)**	0.02

13. PROPERTY, PLANT AND EQUIPMENT

Description	Land	Concrete Buildings	Prefabricated Buildings	Wells and Civil works	Machinery and Equipment	Tanks and Silos	Agricultural Equipment	Vehicles and Trucks	Tools	Office Furniture	Bearer Plants	Leasehold Improve-ments	Capital Parts	Total
	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR	SAR
Cost														
At January 1, 2018	182,996,013	575,325,795	435,394,197	470,537,321	1,911,691,407	73,478,112	220,440,942	357,848,618	346,222,425	159,500,123	65,667,230	4,603,790	1,330,162	4,805,036,135
Addition	-	10,981,301	3,763,605	5,245,678	42,784,103	1,001,429	2,987,660	2,123,640	10,417,688	4,110,532	25,749,030	-	-	109,164,666
Disposals (-)	-	-	-	-	(47,050,281)	(88,800)	(23,933,093)	(15,341,800)	(51,943)	-	-	-	-	(86,465,917)
At December 31, 2018	182,996,013	586,307,096	439,157,802	475,782,999	1,907,425,229	74,390,741	199,495,509	344,630,458	356,588,170	163,610,655	91,416,260	4,603,790	1,330,162	4,827,734,884
Additions	**-**	**12,045,139**	**218,769**	**5,999,474**	**47,192,286**	**1,869,791**	**3,531,397**	**1,972,521**	**19,483,177**	**27,828,932**	**28,018,777**	**-**	**-**	**148,160,263**
Reclassification	**-**	**(23,636,037)**	**23,791,984**	**273,628**	**157,503**	**-**	**225,604**	**(121,744)**	**9,402**	**1,905,841**	**(1,133,985)**	**-**	**395,037**	**1,867,233**
Disposals (-)	**-**	**-**	**-**	**-**	**(58,984,393)**	**(62,800)**	**(15,269,014)**	**(22,499,803)**	**(301,310)**	**(45,635)**	**(357,701)**	**-**	**-**	**(97,520,656)**
At 31 December 2019	**182,996,013**	**574,716,198**	**463,168,555**	**482,056,101**	**1,895,790,625**	**76,197,732**	**187,983,496**	**323,981,432**	**375,779,439**	**193,299,793**	**117,943,351**	**4,603,790**	**1,725,199**	**4,880,241,724**
Accumulated Depreciation and Impairment														
At January 1, 2018	-	117,704,019	243,637,818	235,444,812	1,013,973,472	61,351,979	164,393,668	264,516,683	243,060,733	124,350,178	19,866,627	3,080,625	-	2,491,380,614
Depreciation during the year) +)	-	11,163,612	29,374,053	12,217,844	86,534,274	2,079,049	11,803,170	22,800,644	23,869,447	10,169,061	16,840,027	827,687	-	227,678,868
Impairment of Assets (+)	-	-	-	28,137,192	16,345,027	-	8,030,876	7,526	125,066	28,984	-	-	-	52,674,671
Disposals (-)	-	-	-	-	(47,018,001)	(88,800)	(23,855,515)	(15,217,968)	(51,943)	-	-	-	-	(86,232,227)
At December 31, 2018	-	128,867,631	273,011,871	275,799,848	1,069,834,772	63,342,228	160,372,199	272,106,885	267,003,303	134,548,223	36,706,654	3,908,312	-	2,685,501,926
Depreciation during the year) +	**-**	**11,808,301**	**28,257,448**	**9,604,173**	**80,670,065**	**2,381,159**	**8,092,162**	**22,097,403**	**24,101,477**	**9,901,018**	**7,377,491**	**656,729**	**124,340**	**205,071,766**
Disposals(-)	**-**	**-**	**-**	**-**	**(57,857,449)**	**(62,800)**	**(15,661,428)**	**(22,383,055)**	**(300,886)**	**(45,635)**	**(263,870)**	**-**		**(96,575,123)**
Reclassification (+)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,867,233**	**-**	**-**		**1,867,233**
At 31 December 2019	**-**	**140,675,932**	**301,269,319**	**285,404,021**	**1,092,647,388**	**65,660,587**	**152,802,933**	**271,821,233**	**290,803,894**	**146,270,839**	**43,820,275**	**4,565,041**	**124,340**	**2,795,865,802**
Net Book Value														
At 31 December 2019	**182,996,013**	**434,040,266**	**161,899,236**	**196,652,080**	**803,143,237**	**10,537,145**	**35,180,563**	**52,160,199**	**84,975,545**	**47,028,954**	**74,123,076**	**38,749**	**1,600,859**	**2,084,375,922**
At December 31, 2018	182,996,013	457,439,465	166,145,931	199,983,151	837,590,457	11,048,513	39,123,310	72,523,573	89,584,867	29,062,432	54,709,606	695,478	1,330,162	2,142,232,958

The Company was granted a loan from the Saudi Agricultural Development Fund to finance and expand the olive trees, olive presses and sesame 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 SR 102.66 million, as at 31 December 2019 (31 December 2018: SR 84.8 million). (Note 28).

13. PROPERTY, PLANT AND EQUIPMENT – (CONTINUED)

13.1. Impairment relating to Agricultural Property Plant and Equipment

In accordance with the terms of the Ministerial Council Resolution (66) dated 25 Safer 1437H (corresponding to 7 December 2015) to completely halt the local production of green forage for areas above 50 hectares of land, the Company has stopped the production of green forage entirely within Saudi Arabia from 25 Safar 1440 (corresponding to November 3rd, 2018). During the previous year the Company assessed the Value in Use (VIU) of assets related to agricultural segment, which showed a decline in the value of assets amounting to SAR 52.7 Million. This impairment was charged to the Statement of Profit or Loss in the previous year. Also Deferred Income, relating to these assets which was represented in the Government Grants was recognised in the Statement of Profit or Loss, amounting SAR 7.8 Million, in the previous year. Hence a net impairment of SAR 44.9 Million was recognised in the Financial Statements in the previous year. The Company has put the land and the remaining assets to alternative use and have reassessed the VIU of these assets and noted that no further impairment is recognized.

13.2. Capitalization of Borrowing Cost

The value of borrowing costs capitalized during the year ended 31 December 2019 amounted to SAR 14.2 million (31 December 2018: SAR 14.3 million). Effective interest rate was used to determine the amount of borrowing cost eligible for capitalization. (Refer Note 28).

13.3. Land and Buildings

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

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

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

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

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

However, since the conditions specified in royal decree have been fulfilled and there is no specific timeframe highlighted in the said decree for the fulfilment of any further conditions that may be attached to the grant of land and based on ongoing discussions / information obtained to date, the Company has not received any negative indicators that the land will have to be returned to the Government or that there will be any amendments to the rights granted to the Company under the Royal Decree; therefore the management believes that the legal title of the land will be transferred to the Company in due course. Further, as the Company possesses the control over the land and has the beneficial ownership of land, the same has been included in the assets of the Company.

The land is recognized at the Fair value of the Grant determined at the date of the Grant and where relevant has been depreciated to the useful life of the relevant assets.

13. PROPERTY, PLANT AND EQUIPMENT – (CONTINUED)

13.3. Land and Buildings – (Continued)

b) Land expropriated by Saudi Aramco

As per the Royal Decree number (151), NADEC was granted Haradh project, including a piece of agricultural land, fixed and movable facilities and assets as well as the energy sources which are considered part of its properties. Aramco had taken control over a part of NADEC's land as per title deed number (333801001781) issued by Notary Public at Haradh. NADEC had previously filed a lawsuit against Aramco before the General Court of Al-Khobar requesting Aramco to surrender the land taken into their control. The General Court of Al-Khobar issued a decision numbered 3/172 dated 2 Dhul-Qadah 1428H (corresponding to 12 November 2007) in favour of NADEC. Further, the Supreme Court issued its final judgment numbered A/3/686 dated 5 Dhul-Qadah 1431H (corresponding to 13 October 2010) endorsing the preliminary judgement issued by General Court of Al-Khobar. Aramco had filed a complaint against NADEC in Haradh Court requesting the cancelation of the title deed of the land. A judgment was issued rejecting the case and sanctioning the validity of title deed for NADEC. The case has been referred to the Royal Court, which in turn has referred the case to the Supreme Court and is still pending to date.

14. RIGHT OF USE ASSETS AND LEASE LIABILITIES

i. Reconciliation of carrying value of Right of Use Assets

	Buildings	Vehicles and Trucks	Total
	SAR	SAR	SAR
Recognition of right-of-use asset on initial application of IFRS 16	22,108,561	51,891,726	74,000,287
Additions during the year (+)	-	21,466,646	21,466,646
Depreciation for the year (-)	4,834,269	20,918,947	25,753,216
Carrying value at 31 December 2019	17,274,292	52,439,425	69,713,717

ii. Reconciliation of Lease liabilities

	Total
	SAR
Lease liability on initial application of IFRS 16	69,961,406
Additions on account of new leases	21,466,645
Interest expense for the year	3,767,821
Payment of lease liability (-)	18,569,567
Carrying value at 31 December 2019	76,626,305
Lease liability – Current portion	34,559,845
Lease liability – Non-current portion	42,066,460

15. CAPITAL WORK IN PROGRESS

	31 December 2019	31 December 2018
	SAR	SAR
Capital Work in Progress	192,516,650	194,810,072
Development cost of Sudan project Charged to the Statement of Profit or loss	(79,984,391)	-
	112,532,259	194,810,072

In 2011 the company leased a parcel of 60,000 acres of dry land from Sudan government to develop it for the purpose of producing green forage. The company has revived 7,000 acres up to 31 December 2019 and incurred SAR 79.98 million towards development of this land. During the current year the management has charged the development cost incurred to date to the statement of profit or loss after considering the present status of the project.

16. BIOLOGICAL ASSETS (NON-CURRENT)

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

The Company's Biological Assets and their changes as at December 31, 2019 and December 31, 2018 are as follows;

Biological Assets	**Cows**	**Heifers**	**Total**
	SAR	**SAR**	**SAR**
Cost as at 1 January 2018	347,652,222	212,047,801	559,700,023
Additions through Birth/ Conversion	124,043,591	149,329,867	273,373,458
Exclusions as a result of Sale or Death or Conversion	(116,023,937)	(124,043,590)	(240,067,527)
Cost at 31 December 2018	355,671,876	237,334,078	593,005,954
Accumulated depreciation at 31 December 2017	77,327,042	-	77,327,042
Depreciation for the year 2018	41,875,795	-	41,875,795
Depreciation on disposals during the year 2018	(40,491,285)	-	(40,491,285)
Accumulated Depreciation as at 31 December 2018	78,711,552	-	78,711,552
Net book value at 31 December 2018	276,960,324	237,334,078	514,294,402
Cost as at 1 January 2019	**355,671,876**	**237,334,078**	**593,005,954**
Additions through Birth/ Conversion	**134,001,905**	**150,507,531**	**284,509,436**
Exclusions as a result of Sale or Death or Conversion	**(111,342,171)**	**(134,001,905)**	**(245,344,076)**
Cost at 31 December 2019	**378,331,610**	**253,839,704**	**632,171,314**
Accumulated depreciation at 31 December 2018	**78,711,552**	**-**	**78,711,552**
Depreciation for the year 2019	**43,806,073**	**-**	**43,806,073**
Depreciation on disposals during the year 2019	**(42,941,690)**	**-**	**(42,941,690)**
Accumulated depreciation at 31 December 2019	**79,575,935**	**-**	**79,575,935**
Net book value at 31 December 2019	**298,755,675**	**253,839,704**	**552,595,379**

17. INTANGIBLE ASSETS

	Software and Licenses
	SAR
Cost	
Cost as at 1 January 2018	25,376,364
Additions during the year - 2018	1,329,450
Cost as at 31 December 2018	26,705,814
Additions during the year - 2019	**6,783,792**
Reclassification	**(1,867,233)**
Cost as at 31 December 2019	**31,622,373**
Amortization	
Accumulated Amortization at January 1, 2018	15,809,924
Amortization for the year - 2018	2,892,194
Accumulated Amortization as at 31 December 2018	18,702,118
Amortization for the year - 2019	**3,137,030**
Reclassification	**(1,867,233)**
Accumulated Amortization as at 31 December 2019	**19,971,915**
Net Book value	
As at 31 December 2019	**11,650,458**
As at 31 December 2018	8,003,696

18. EQUITY INVESTMENT AT FVOCI

	Ownership (%)	Historical Cost	31 December 2019	31 December 2018	Change in Fair Value 2019	Change in Fair Value 2018
		SAR	**SAR**	SAR	**SAR**	SAR
National Company for Seed Production (Seeds)	13.99%	4,128,000	**2,086,000**	2,380,000	**(294,000)**	(290,000)
United Dairy Farms Company	8.26%	600,000	**4,286,000**	5,869,000	**(1,583,000)**	4,215,000
United Poultry Marketing Company (under liquidation)	7.30%	500,000	**500,000**	500,000	**-**	-
Total		5,228,000	**6,872,000**	8,749,000	**(1,877,000)**	3,925,000
Impairment of Equity Investments at FVOCI		(500,000)	**(500,000)**	(500,000)	**-**	-
Net Equity Investments at FVOCI		4,728,000	**6,372,000**	8,249,000	**-**	-

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

19. BIOLOGICAL ASSETS (CURRENT)

	31 December 2019	31 December 2018
	SAR	SAR
Green forage Crop (Sudan project)	**2,313,088**	4,819,520
Annual Crops	**36,792,372**	37,263,690
	39,105,460	42,083,210

20. INVENTORY

	31 December 2019	31 December 2018
	SAR	SAR
Raw Materials	**298,420,930**	335,841,809
Spare Parts	**81,201,929**	80,178,083
Agricultural Products Inventory	**92,161,970**	71,699,461
Finished Goods	**76,107,689**	69,529,058
Animal Products (Manure)	**8,862,134**	9,413,919
Fuel and Oil	**9,028,796**	8,197,690
	565,783,448	574,860,020
Provision for slow moving Inventory	**(18,036,571)**	(16,743,053)
	547,746,877	558,116,967

Slow moving inventory	**31 December 2019**	31 December 2018
	SAR	SAR
Opening Balance for the year	16,743,053	21,024,834
Inventory Provision movement, net	1,293,518	(4,281,781)
Closing balance for the year	**18,036,571**	16,743,053

21. BIOLOGICAL ASSETS - AVAILABLE FOR SALE

	31 December 2019	31 December 2018
	SAR	SAR
Biological Assets - Available for Sale	**22,228,936**	22,026,090

22. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2019	31 December 2018
	SAR	SAR
Trade receivables*	**269,028,140**	294,222,270
Prepayments	**94,081,085**	74,433,631
Government Subsidies due**	**62,001,588**	54,463,479
Staff Receivables	**27,633,333**	31,903,647
Dividend receivable on Equity Investment at FVOCI	**180,000**	300,000
Other Receivables	**21,315,782**	12,006,499
	474,239,928	467,329,526
Impairment allowance on Trade and Other Receivables	**(39,117,735)**	(32,236,286)
	435,122,193	435,093,240

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

** Government subsidies are due on the value of subsidies not yet disbursed from government agencies until 31 December 2019.

Impairment Loss on Trade Receivables	31 December 2019	31 December 2018
	SAR	SAR
Balance at beginning of the year	**32,236,286**	25,556,527
Impairment Loss charged in Statement of Profit or Loss for the year	**6,881,449**	6,679,759
Balance at end of year	**39,117,735**	32,236,286

Non- Current Prepayments	31 December 2019	31 December 2018
	SAR	SAR
Prepayment classified under Non-Current Assets	**-**	2,404,286

This Non-Current prepayment represents prepayment of lease rental for Company's distribution center in Bahrain and it became zero because of application of IFRS 16.

23. DERIVATIVES FINANCIAL INSTRUMENTS

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

Nature of the instrument	Nominal value USD in mn	Maturity period	Status of the contract	Fair value as at 31 December 2019 SAR
Callable inverse floater (CIF) (2 Contracts)	200	5 Years	Terminated	-
SAR Cross currency swap	100	5 Years	Terminated	-
AED Cross currency swap	96	2 years	Open	**482,300**

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

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

23.1 Realized loss on derivative financial instruments

During the year, the Company assessed the expected future interest rate movement, and accordingly, decided to terminate the CIF contracts and recognised the loss on the termination of the same, which amounted to SAR 40.44 million in the Statement of Profit or Loss for the current year. Realised loss on derivative financial instrument also includes loss on SAR Cross currency swap contact amounted to SAR 2.98 million.

23.2 Unrealized gain on derivative financial instrument

Unrealized gain on Cross-Currency Swap contracts represents the gain due to the changes in the fair value of these instruments at the reporting date. The unrealized gain on the AED Cross-Currency Swap contract amounted to SAR 0.48 million is recognized during the current year in the Statement of Profit or Loss.

24. CASH AND BANK BALANCES

	31 December 2019	31 December 2018
	SAR	SAR
Cash at Bank	**57,675,105**	31,284,805
Cash in Hand	**4,356,864**	3,934,672
	62,031,969	35,219,477

25. SHARE CAPITAL

	31 December 2019	31 December 2018
Authorized Shares (# of Shares)	**84,700,000**	84,700,000

Movement of Stocks Issued		
Ordinary Shares issued and fully paid	**No. of Shares**	Value (SAR)
Balance at 31 December 2018 (# of Shares)	**84,700,000**	847,000,000
Balance at 31 December 2019 (# of Shares)	**84,700,000**	847,000,000

The Company's Share Capital as at 31 December 2019 amounted to SAR 847 million (31 December 2018: SAR 847 million) consisting of 84.7 million (31 December 2018: 84.7 million) fully paid and issued shares of SAR 10 each.

26. STATUTORY RESERVE

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

27. OTHER RESERVES

	SAR
Balance at 1 January 2018	(80,787)
<u>Changes</u>	
Change in Fair value of Equity Investment at FVOCI	3,925,000
Actuarial Valuation adjustments to other reserves	15,269,488
Total adjustments to Other Components of Equity	19,194,488
Balance at 31 December 2018	19,113,701
<u>Changes</u>	
Change in Fair value of Equity Investment at FVOCI	**(1,877,000)**
Actuarial Valuation adjustments to other reserves	**3,400,305**
Total adjustments to Other Components of Equity	**1,523,305**
Balance at 31 December 2019	**20,637,006**

28. MURABAHA LOANS AND BORROWINGS

	Currency of Loans	Interest Rate	Due Date	31 December 2019 Nominal Value SAR'000	31 December 2019 Book Value SAR'000	31 December 2018 Nominal Value SAR'000	31 December 2018 Book Value SAR'000
Islamic Banking Facilities (Murabaha) (28.1)	SAR	SIBOR + Bank Margin	2020-2026	**1,611,852**	**1,628,565**	1,815,561	1,825,964
Agricultural Development Fund Loan (28.2)	SAR	Fixed	2020-2027	**7,446**	**7,446**	8,437	8,437
Total Loans				**1,619,298**	**1,636,011**	1,823,998	1,834,401

- The weighted average markup on bank loans during the year 2019 was 4.44% (2018: 4.07%) 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 Financial Statements as follows:

	31 December 2019 SAR'000	31 December 2018 SAR'000
Non-current liabilities		
Loans secured by Guarantees	**6,455**	7,446
Loans not secured by any Guarantee or Security	**1,039,818**	651,072
	1,046,273	658,518
Current liabilities		
Loans secured by Guarantees	**991**	991
Loans not secured by any Guarantee or Security	**588,747**	1,174,892
	589,738	1,175,883

28. MURABAHA LOANS AND BORROWINGS – (CONTINUED)

28.1 Islamic Banking Facilities (Murabaha) from Local Banks

The borrowing under Islamic banking facilities (Murabaha) have been granted against a promissory note issued by the Company. These facilities are in accordance with the maturities of facilities given by each bank and are mostly of a revolving nature. The amount of unused facilities as at 31 December 2019 amounted to SAR 935 Million. (31 December 2018: SAR 2,010 Million).

28.2 Agricultural Development Fund Loan

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

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

29. 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 expected credit unit method in accordance with IAS 19. Since the amount and timing of future maturities are not known currently, assumptions have been made to value the obligations relating to the past service, these assumptions have been derived using methodologies consistent with the requirements of IAS 19. Any changes in assumptions in financial, economic and demographic conditions over time, where future experience does not match established assumptions, that change is included in Other Comprehensive Income in the future financial year.

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

	31 December 2019	31 December 2018
	SAR	SAR
Opening balance for Employee Benefits Obligation	**164,818,261**	166,876,242
Interest Cost	**6,687,302**	5,840,668
Current Service Cost	**17,029,176**	30,595,167
Benefits Paid	**(19,320,876)**	(23,224,328)
Actuarial gain in Other Comprehensive Income	**(3,400,305)**	(15,269,488)
Closing Balance for Employee Benefits Obligation	**165,813,558**	164,818,261

The value of the amounts that have been adjusted for the year ended December 31, 2019 is as follows, according to the Actuarial study conducted

	31 December 2019	31 December 2018
	SAR	SAR
Current Service cost	**17,029,175**	19,555,424
Interest cost	**6,687,302**	5,840,668
Adjustment for staff obligations	**-**	11,039,743
Expense charged to Statement of Profit or Loss for the year	**23,716,477**	36,435,835

29. EMPLOYEE BENEFITS OBLIGATION – (CONTINUED)

Other comprehensive income related to the Employee Benefits Plan for the years 2018 and 2017 consists of the following items:

	31 December 2019	31 December 2018
	SAR	SAR
Actuarial gain resulting from changes in financial assumptions	**(1,855,159)**	(4,026,808)
Actuarial gain resulting from the liability revision	**(1,545,146)**	(11,242,680)
Actuarial gain in Other Comprehensive Income	**(3,400,305)**	(15,269,488)

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

	31 December 2019	31 December 2018
Discount rate	**2.97%**	4.31%
Expected salary increase rate	**5%**	5%
Withdrawal from work	**Age: Ratio**	Age: Ratio
(Average Ratio)	**18-25:18.75%**	20:12.5%
	26-30:15.00%	30:8.0%
	31-50:7.50%	40:4.0%
	+51:3.75%	50:1.5%

30. TRADE AND OTHER PAYABLES

	31 December 2019	31 December 2018
	SAR	SAR
Trade Creditors	**410,229,852**	311,779,482
Accrued Expenses	**67,355,723**	63,262,627
Employee Benefits	**60,375,918**	49,062,949
Payable to Related Parties	**4,989,442**	8,729,874
Advances from Customers	**2,777,772**	952,084
Other Payables	**11,002,635**	8,606,876
Total	**556,731,342**	442,393,892

31. DIVIDENDS PAYABLE

Below table represents the movement in the Dividend Payables.

	SAR
Balance at 01 January 2018	33,842,272
Paid during the year 2018	(224,157)
Balance at 31 December 2018	33,618,115
Paid during the year 2019	**(236,909)**
Balance at 31 December 2019	**33,381,206**

32. PROVISION FOR ZAKAT

	SAR
Balance at 1 January 2019	**34,322,797**
Provision recognized during the year	**4,800,000**
Zakat on Crops (Sudan)	**114,513**
Total charged to Statement of Profit or Loss	**4,914,513**
Zakat paid During the Year	**(10,505,908)**
Balance at 31 December 2019	**28,731,402**
Balance at 1 January 2018	31,578,116
Provision recognized during the year	4,865,681
Zakat on Crops (Sudan)	188,947
Reversal of Zakat Provision	(2,121,000)
Total charged to Statement of Profit or Loss	2,933,628
Zakat paid During the Year	(188,947)
Balance as at 31 December 2018	34,322,797

The Company obtained the final Zakat certificates for the years up to 1997 from the General Authority for Zakat and Tax (GAZT) (The Authority). The Authority issued Zakat assessments for the years 1998-2006 and the Company objected to some of its items. The Zakat Tax Objection Committee did not accept the Company's objection. The Company appealed against the Zakat Tax Objection Committee decision at the Zakat Tax Appeal Committee which supported the Company's objection on items under dispute. The Appeals Committee decision was in favor of the Company and reduced Zakat liability from SR 12.1 million to SR 4.9 million. The Company gave a bank guarantee of SAR 4.9 million against the revised assessments and filed an objection to the revised assessments for 2005 and 2006, presently the case is pending with General Secretariat of tax committees.

The Company also obtained the final Zakat certificates for the years 2007 to 2012 and submitted the Zakat declarations for the years 2013 to 2018 in accordance with the established regulations. Zakat is calculated in accordance with the Zakat Regulations and provision for the fiscal year 2019 is computed in accordance with Zakat base as required by the Authority.

33. COMMITMENT AND CONTINGENCIES

Capital Commitments

Capital commitments amounted to SR 8.98 million against contracts for the supply of property, plant and equipment (31 December 2018: SR 24.0 million)

Letters of credit

The contingent liabilities against letters of credit are SR 238.10 million at 31 December 2019 (31 December 2018: SR 152 million).

Letters of guarantee

The contingent liabilities against letters of guarantee are SR 66.56 million at 31 December 2019 (31 December 2018: SR 44.75 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 the all disclosed financial assets and financial liabilities does not vary significantly.

	31 December 2019						
	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
Financial Assets							
Equity Investment at FVOCI	**-**	**6,372**	**6,372**	**-**	**6,372**	**-**	**6,372**
Trade and Other Receivables	**341,041**	**-**	**341,041**	**-**	**-**	**-**	**-**
Derivative Financial Instrument	**-**	**482**	**482**	**-**	**482**	**-**	**482**
Cash and Bank Balances	**62,032**	**-**	**62,032**	**-**	**-**	**-**	**-**
	403,073	**6,854**	**409,927**	**-**	**6,854**	**-**	**6,854**
Financial Liabilities							
Trade and Other Payables	**556,731**	**-**	**556,731**	**-**	**-**	**-**	**-**
Loans	**1,636,011**	**-**	**1,636,011**	**-**	**-**	**-**	**-**
Lease Liabilities	**76,626**	**-**	**76,626**	**-**	**-**	**-**	**-**
	2,269,368	**-**	**2,269,368**	**-**	**-**	**-**	**-**

	31 December 2018						
	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
Financial Assets							
Equity Investment at FVOCI	-	8,249	8,249	-	8,249	-	8,249
Trade and Other Receivables	360,660	-	360,660	-	-	-	-
Cash and Bank Balances	35,219	-	35,219	-	-	-	-
	395,879	8,249	404,128	-	8,249	-	8,249
Financial Liabilities							
Trade and Other Payables	442,394	-	442,394	-	-	-	-
Loans	1,834,401	-	1,834,401	-	-	-	-
	2,276,795	-	2,276,795	-	-	-	-

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, due from related parties, 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:

	31 December 2019	31 December 2018
	SAR	SAR
Cash and Bank Balances	**62,031,969**	35,219,477
Trade and Other Receivables	**434,942,193**	434,793,240
	496,974,162	470,012,717

- **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 77% of the balances in Saudi Arabia, 23% of the outstanding balances in the GCC as at 31 December 2019.

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

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.

35. Financial Risk Management – (Continued)

35.2 Liquidity Risk – (Continued)

Payable as of 31 December 2019	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	-	**406,096,767**	**231,751,150**	**1,001,076,818**	**106,123,227**	**1,745,047,962**
Trade Payables	-	**415,219,294**	-	-	-	**415,219,294**
Lease liability repayment	-	**17,667,932**	**19,842,655**	**40,800,319**	**5,906,317**	**84,217,223**
Total	-	**838,983,993**	**251,593,805**	**1,041,877,137**	**112,029,544**	**2,244,484,479**

Payable as of 31 December 2018	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	-	865,413,543	349,995,758	649,887,439	52,476,960	1,917,773,700
Trade Payables	-	320,509,356	-	-	-	320,509,356
Total	-	1,185,922,899	349,995,758	649,887,439	52,476,960	2,238,283,056

- **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 per cent. The Company includes in its net debt interest bearing loans and borrowings and trade payables other credit balances less cash deposits.

	31 December 2019 SAR	31 December 2018 SAR
Islamic and Government Murabaha Loans	**1,636,011,031**	1,834,400,704
Trade and Other Payables	**556,731,342**	442,393,892
Employee Benefit Obligations	**165,813,558**	164,818,261
Provision for Zakat	**28,731,402**	34,322,797
Dividend Payable	**33,381,206**	33,618,115
Lease Liabilities	**76,626,305**	-
Total Debt	**2,497,294,844**	2,509,553,769
Cash and Bank Balances	**(62,031,969)**	(35,219,477)
Net Debt	**2,435,262,875**	2,474,334,292
Shareholders' Equity	**1,440,478,144**	1,446,253,260
Shareholders' Equity and Net Debt	**3,875,741,019**	3,920,587,552
Ratio of Borrowing (indebtedness)	**1.59**	1.58

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 2019 and the year ended 31 December 2018.

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**	**Downward**	**Upward**	**Downward**
		2019	**2018**	**2019**		**2018**	
				SAR			
Price for $1	1.00%	3.750	3.750	**(929,246)**	**929,246**	(1,050,000)	1,050,000
Price for Euro 1	1.00%	4.210	4.462	**(54,266)**	**54,266**	(130,000)	130,000
Price for £1	1.00%	4.975	5.061	**(10,498)**	**10,498**	(12,500)	12,500
				(994,010)	**994,010**	(1,192,500)	1,192,500

The Company mainly trades in Saudi Riyals 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 Riyals 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**
December 31, 2019	1%	**17,352,059**	**(17,352,059)**
December 31, 2018	1%	18,344,007	(18,344,007)

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 follow

Company	Relationship with Nadec	Nature of Transaction	Balance at 31 December 2018	Movement during the year 2019		Balance at 31 December 2019
			Payables	Purchases	Payments	Payables
			--SAR-			
Al Tayyar Travel Group	Common Directorship	Purchase of travelling services	**1,483,651**	7,330,295	8,813,946	-
Saudi Plastic Packaging Systems	Common Directorship	Purchase of Plastic materials	**6,877,991**	23,333,977	25,590,758	**4,621,210**
Alwatania-agri	Common Directorship	Purchase of Olive Oil	**368,232**	-	-	**368,232**
		Total	**8,729,874**	**30,664,272**	**34,404,704**	**4,989,442**

Transactions with Key Management Personnel:

	31 December 2019	31 December 2018
	SAR	SAR
Short term benefits	**14,793,204**	9,875,748
Long-term benefits	**4,510,677**	7,219,922
Total Benefits of Senior Management Personnel	**19,303,881**	17,095,670

Proposal of the Board of Directors

Dated 19th Rabi' II 1441 A.H. corresponding to 16 December 2019, the Board of Directors recommended the payment of Saudi Riyal One Million and Five Hundred Sixty Thousand as remuneration to the members of the Board of Directors. This amount is subject to the approval of shareholders during the Annual General Assembly meeting.

37 SUBSEQUENT EVENTS

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread globally including the Kingdom of Saudi Arabia (KSA), causing disruptions to many businesses and economic activities. The management considers this outbreak to be a non-adjusting post balance sheet event. As the situation is fluid and rapidly evolving, management does not consider it practicable to determine a quantitative estimate of the potential impact of this outbreak on the future financial statements of the Company at this stage.

38 APPROVAL BY THE BOARD OF DIRECTORS

These Financial Statements for the year ended 31 December 2019 were approved by the Board of Directors on 29 Rajab 1441 A.H corresponding to 24 March 2020.