



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

**FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2022**

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

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The National Agricultural Development Company (NADEC) (the "Company"), which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

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

Other matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed unmodified opinion on those financial statements on 24 Sha'ban 1443H (corresponding to 27 March 2022).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Biological assets measurement: The Company's assets include biological assets with net book value amounted SAR 763.2 million mostly representing dairy herd. IAS 41 "Agriculture" requires biological assets to be measured at fair value less costs to sell, unless the fair value cannot be reliably measured. In case the fair value of biological assets cannot be measured reliably, it is measured at historical cost less accumulated depreciation and accumulated impairment losses, if any. We considered this to be a key audit matter as the carrying value of such assets is material to the financial statements and the fair value cannot be reliably measured. These assets are measured at historical cost and the basis for capitalising the costs is largely dependent on management's judgement supported by internal processes. Refer to note 3 for the accounting policy relating to biological assets measurement and note 16 for the related disclosures.	Our audit procedures included, among others, the following: • We evaluated the management's assumptions for not measuring the biological assets at fair value and discussed the reasonableness of measuring the biological assets at cost by taking into consideration the approach permitted as per the accounting standards and other related practices used for similar entities within the Kingdom of Saudi Arabia; • We have evaluated the design and implementation and tested the operating effectiveness of management's key controls identified relating to the capitalisation of biological assets; • We recalculated the depreciation expenses for the year based on the estimated useful life of biological assets; and • We reviewed the adequacy of disclosures in accordance with the requirements of relevant accounting standards relating to biological assets.

INDEPENDENT AUDITOR'S REPORT

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition: During the year ended 31 December 2022, the Company has recognized total revenues of SR 2.69 billion (2021: SR 2.27 billion). The Company's sales arrangements are on point in time basis with the right of return provided to customers in case of expiry of products sold. Revenue recognition is considered as a key audit matter since revenue is a key measure of the Company's performance and the Company may overstate its revenues by underestimating the expected sales returns considering rights available to customers under contractual arrangements. Refer to note 3 for the accounting policy relating to revenue recognition and note 6 for the related disclosures.	Our audit procedures included, among others, the following: • We obtained an understanding of management's control process over revenue recognition and tested the operating effectiveness of management's key internal controls; • We have involved IT Audit specialists to evaluate the design and implementation and tested the operating effectiveness of key controls identified relating to revenue recognition; • We have tested samples of key contractual arrangements with customers including the customer's right to return for products sold; • We have obtained the basis of estimating the sales returns provision and recalculated the accuracy of the sales returns provision; • We have compared the actual sales returns post year end with the sales returns provision and assessed the accuracy of the provision calculated by the management; • We have performed analytical procedures on current year revenues compared with prior year revenues based on segments and product categories; and • We have reviewed the adequacy of disclosures relating to revenues in the financial statements.

INDEPENDENT AUDITOR'S REPORT

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

Other information included in The Company's 2022 Annual Report

Other information consists of the information included in the Company's 2022 annual report, other than the financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Company's 2022 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.

Responsibilities of the Board of Directors and Those Charged with Governance for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and Company's By-laws, and for such internal control as the Board of Directors 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, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

for Ernst & Young Professional Services



Rashid S. Roshod
Certified Public Accountant
License No. (366)

Riyadh: 29 Rajab 1444H
(20 February 2023)



		31 December 2022	31 December 2021
	Note	SAR	SAR
Assets			
Non-Current Assets			
Property, Plant and Equipment	13	1,713,201,726	1,809,730,755
Right-of-Use Assets	14	55,868,403	71,472,237
Capital Work in Progress	15	109,619,880	95,886,698
Biological Assets	16	735,222,754	685,558,308
Intangible Assets	17	30,403,806	17,958,246
Investment in Joint venture	18	54,191,236	50,888,776
Equity Investment at FVOCI	18	8,346,000	13,022,000
Total Non-Current Assets		2,706,853,805	2,744,517,020
Current Assets			
Biological Assets	19	28,050,004	24,118,793
Inventory	20	516,054,744	452,063,962
Biological Assets - Available for Sale	21	30,232,197	35,046,943
Trade Receivables and Other Receivables	22	371,286,448	288,239,731
Prepayments	22	56,267,728	263,825,355
Cash and Bank Balances	23	112,761,952	81,918,355
Total Current Assets		1,114,653,073	1,145,213,139
Total Assets		3,821,506,878	3,889,730,159
Shareholders' Equity and Liabilities			
Shareholders' Equity			
Share Capital	24	1,016,400,000	1,016,400,000
Share Premium		78,719	78,719
Statutory Reserve	25	193,787,812	184,238,643
Other Reserves	26	29,045,753	25,204,429
Retained Earnings/ (Accumulated Losses)		55,833,425	(30,109,093)
Total Shareholders' Equity		1,295,145,709	1,195,812,698
Non-Current Liabilities			
Murabaha Loans and Borrowings	27	892,905,661	1,150,483,292
Lease Liabilities	14	39,265,623	45,298,565
Deferred Income		4,559,006	5,100,725
Employee Benefits Obligation	28	152,770,825	163,003,443
Total Non-Current Liabilities		1,089,501,115	1,363,886,025
Current Liabilities			
Trade and Other Payables	29	678,430,853	713,900,829
Murabaha Loans and Borrowings – Short Term	27	365,428,150	271,024,642
Murabaha Loans and Borrowings - Current Portion	27	267,153,934	214,995,055
Lease Liabilities	14	16,105,659	25,050,717
Dividend Payables	30	32,580,323	32,809,778
Provision for Zakat	31	77,161,135	72,250,415
Total Current Liabilities		1,436,860,054	1,330,031,436
Total Liabilities		2,526,361,169	2,693,917,461
Total Shareholders' Equity and Liabilities		3,821,506,878	3,889,730,159

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

These financial statements appearing on pages (7) to (45) were approved by the Board of Directors and were signed on its behalf by


Hassan Aqrouq
Chief Financial Officer


Sofian Al-Twaijri
Chief Executive Officer

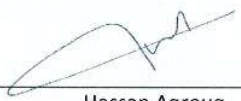

Abdulaziz Saleh Alrebdi
Chairman



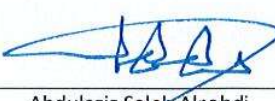
	Note	31 December 2022 SAR	31 December 2021 SAR
Revenue	6	2,694,247,713	2,272,324,804
Cost of Sales	7	(1,885,914,150)	(1,641,485,867)
Gross Profit		808,333,563	630,838,937
Selling and Marketing Expenses	8	(488,190,154)	(483,919,681)
General and Administrative Expenses	9	(138,952,063)	(148,006,154)
Impairment Losses on Trade Receivables	22	(4,530,346)	(5,230,539)
Other (expenses)/ Income, net	10	(12,526,962)	(58,403,390)
Total Operating expenses		(644,199,525)	(695,559,764)
Operating Profit/ (Loss)		164,134,038	(64,720,827)
Non-recurring items			
Provision for Other Receivables and Prepayments	22	(7,100,197)	(64,947,419)
Write off/ Impairment losses on Property, Plant and Equipment	13& 13.3	(9,358,012)	(81,668,883)
Write off/ Impairment losses on Capital Work in Progress	15	(650,000)	(1,978,062)
Operating Profit/ (Loss) after non-recurring items		147,025,829	(213,315,191)
Finance cost	11	(48,833,978)	(32,011,259)
Share of Results of Joint Venture		3,302,460	-
Profit/ (Loss) before Zakat		101,494,311	(245,326,450)
Zakat	31	(6,002,624)	(39,701,673)
Profit/ (Loss) for the year		95,491,687	(285,028,123)
Earnings/ (Loss) per share based on profit/ loss per year attributable to ordinary shareholders			
Basic and Diluted	12	0.94	(2.81)

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Hassan Aqrouq
Chief Financial Officer


Solaiman Al-Twaijri
Chief Executive Officer


Abdulaziz Saleh Alrebdi
Chairman

		31 December 2022	31 December 2021
	Note	SAR	SAR
Profit/ (Loss) for the year		95,491,687	(285,028,123)
Items that will not be reclassified to Profit or Loss			
Re-measurement of Defined Benefit obligation	28	6,998,496	(2,830,424)
Movement in Equity Investment at fair value through Other Comprehensive Income (FVOCI)	18	(4,676,000)	5,393,000
Foreign currency translation			
Total Items that will not be reclassified to Profit or Loss		2,322,496	2,562,576
Items that are or may be reclassified to Profit or Loss			
Foreign operations – foreign currency translation differences		1,518,828	-
Total Items that are or may be reclassified to Profit or Loss		1,518,828	-
Total other comprehensive income		3,841,324	2,562,576
Total Comprehensive Income/ (Loss) for the year		99,333,011	(282,465,547)

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

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Hassan Aqrouq
Chief Financial Officer



Solaiman Al-Twaijri
Chief Executive Officer



Abdulaziz Saleh Alrebdi
Chairman

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

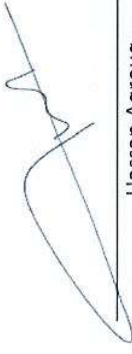


Statement of Changes in Shareholders' Equity for the year ended 31 December 2022

	Share Capital	Share Premium	Statutory Reserve	Other Reserves	(Accumulated Losses)/ Retained Earnings	Total Shareholders' Equity
					SAR	
Balance as at 1 January 2022	1,016,400,000	78,719	184,238,643	25,204,429	(30,109,093)	1,195,812,698
Profit for the year	-	-	-	-	95,491,687	95,491,687
Other Comprehensive Income for the year	-	-	-	3,841,324	-	3,841,324
Total Comprehensive Income	-	-	-	3,841,324	95,491,687	99,333,011
Transfer to Statutory Reserve	-	-	9,549,169	-	(9,549,169)	-
Balance as at 31 December 2022	1,016,400,000	78,719	193,787,812	29,045,753	55,833,425	1,295,145,709
Balance as at 1 January 2021	1,016,400,000	78,719	184,238,643	22,641,853	254,919,030	1,478,278,245
Loss for the year	-	-	-	-	(285,028,123)	(285,028,123)
Other Comprehensive Income for the year	-	-	-	2,562,576	-	2,562,576
Total Comprehensive Income	-	-	-	2,562,576	(285,028,123)	(282,465,547)
Transfer to Statutory Reserve	-	-	-	-	-	-
Balance as at 31 December 2021	1,016,400,000	78,719	184,238,643	25,204,429	(30,109,093)	1,195,812,698

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

These financial statements appearing on pages (7) to (45) were approved by the Board of Directors and were signed on its behalf by


Hassan Aqrourq
Chief Financial Officer


Solaiman Al-Twaijri
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Abdulaziz Saleh Alrebdi
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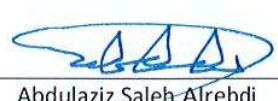
	Note	31 December 2022 SAR	31 December 2021 SAR
Cash flows from Operating Activities			
Profit/ (Loss) for the year		95,491,687	(285,028,123)
Adjustments for			
Depreciation – Property Plant and Equipment and Biological Assets	13&16	210,176,520	237,995,432
Depreciation – Right-of-Use Assets	14	18,083,505	25,677,361
Amortization	17	10,127,945	6,325,699
Zakat Expense	31	6,002,624	39,701,673
Deferred income		(541,719)	(541,883)
Employee Benefits Obligation	28	19,852,651	22,068,248
Impairment Losses on Trade and Other Receivables & Prepayments		11,630,543	70,177,958
Inventory Provision	20	17,376,685	46,898,836
Finance Cost	11	48,833,978	32,011,259
Share of Results from Joint Venture		(3,302,460)	-
Loss on sale of Property Plant and Equipment and Biological Assets	10	33,389,787	45,667,246
Write off/ Impairment losses on Property, Plant and Equipment	13&13.3	9,358,012	81,668,883
Write off/ Impairment losses on Capital Work in Progress	15	650,000	1,978,062
		<u>477,129,758</u>	<u>324,600,651</u>
Changes in			
Inventory and Biological Assets - Available for Sale		(75,138,501)	27,665,219
Biological Assets		(3,949,413)	3,570,396
Trade Receivables, Prepayments and Other Receivables		112,957,938	(179,736,826)
Trade and Other Payables		<u>(35,069,022)</u>	<u>107,817,175</u>
		475,930,760	283,916,615
Zakat Paid	31	(1,091,904)	(843,857)
Employee Benefits Paid	28	<u>(23,086,773)</u>	<u>(27,514,846)</u>
Net Cash from Operating Activities		<u>451,752,083</u>	<u>255,557,912</u>
Cash flows from Investing Activities			
Acquisition of Property, Plant and Equipment, Intangible Assets and Biological Assets	13,15, 16&17	(303,703,277)	(362,303,530)
Proceeds from sales of Property, Plant and Equipment and Biological Assets		60,685,870	88,397,823
Investment in Equity-accounted Investee		-	(50,888,776)
Net Cash Used in Investing Activities		<u>(243,017,407)</u>	<u>(324,794,483)</u>
Cash flows from Financing Activities			
Proceeds from Murabaha Loans and Borrowings		146,009,334	370,328,466
Repayment of Murabaha Loans and Borrowings		(264,310,989)	(222,932,433)
Finance Cost Paid		(39,323,536)	(30,873,591)
Payment of Lease Liabilities		(19,681,703)	(33,760,412)
Dividend Paid		(229,455)	(320,958)
Net Cash (Used in) / from Financing Activities		<u>(177,536,349)</u>	<u>82,441,072</u>
Net Change in Cash and Cash Equivalents		<u>31,198,327</u>	<u>13,204,501</u>
Cash and Cash Equivalents at beginning of the year		81,918,355	68,713,854
Effect of exchange rates fluctuations on cash held		(354,730)	-
Cash and Cash Equivalents at end of the year	23	<u>112,761,952</u>	<u>81,918,355</u>

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

These financial statements appearing on pages (7) to (45) were approved by the Board of Directors and were signed on its behalf by


Hassan Aqrouq
Chief Financial Officer


Solaiman Al-Twaijri
Chief Executive Officer


Abdulaziz Saleh-Alrebdi
Chairman



1. THE COMPANY AND ITS OPERATIONS

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

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

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

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

Riyadh - Kingdom of Saudi Arabia

P.O. Box 2557 Riyadh 11461

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.2 Basis of Measurement

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

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

2.3 Functional and Presentation Currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

C. Cash and Bank Balances

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

D. Trade and Other Receivables

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

E. Inventories

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

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

F. Property, Plant and Equipment

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

F. Property, Plant and Equipment – (CONTINUED)

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

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

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

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

G. Capital Work in Progress

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

H. Biological Assets

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

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

In case the fair value of biological assets cannot be measured reliably, it is measured at historical cost less accumulated depreciation and accumulated impairment losses. The Company's management has not been able to obtain reliable data that can be relied upon as inputs or indicators that support the measurement of biological assets at fair value as per the Income, replacement cost or market approach of IFRS 13 – Fair Value Measurement. If such data are available in the future, the Company will adjust the measurement of the biological assets to fair value rather than cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of (5 years).

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

I. Intangible Assets

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

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

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

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

J. Trade and Other Payables

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

K. Provisions

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

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

L. Leases

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

As a lessee

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

L. Leases– (Continued)

As a lessee (continued)

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

M. Borrowing Costs

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

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

N. Segment Reporting

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

O. Government Grants

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

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

P. Statutory Reserve

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

Q. Impairment of Non-Financial Assets

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

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

R. Foreign Currency Transaction

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

S. Revenue Recognition

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

S. Revenue Recognition – (Continued)

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

T. Share Capital

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

U. Dividends

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

V. Expenses

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

W. Zakat

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

X. Employee Benefits

a) Saudi Employees

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

b) Foreign Employees

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

i. Defined Contribution Plan

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

ii. Defined Benefit Plan

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

X. Employee Benefits – (Continued)

ii. Defined Benefit Plan – (Continued)

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

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

iii. Other Long-Term Employee Benefits

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

Y. Financial instruments

I. Non-Derivative Financial Instruments

a. Non-Derivative Financial Assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Y. Financial instruments – (Continued)

I. Non-Derivative Financial Instruments – (Continued)

a. Non-Derivative Financial Assets – (Continued)

The Company has the following non-derivative financial assets;

Financial Assets at Amortized Cost

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

Financial Assets at FVOCI

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

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

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

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

b. Non-Derivative Financial Liabilities

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

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

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

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

II. Derivative Financial Instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Standards issued but not yet effective

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

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

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

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

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Company is currently assessing the impact of the amendments.

3. SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

New and amended standards and interpretations.

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

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

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

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

4.3. Impairment of Non-Derivative Financial Assets

The Company recognizes loss allowances for ECLs (Expected Credit Loss) on Financial Assets measured at amortized cost i.e. Trade Receivables of the Company. The Company assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its financial assets carried at amortized cost.

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

4.4. Provision for Slow Moving Inventory Items

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

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

5. OPERATING SEGMENTS

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

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

	Dairy and Food	Agriculture	Elimination of Inter-Segment Sales	Total
	SAR	SAR	SAR	SAR
Revenue				
External Revenue	2,584,034,067	110,213,646	-	2,694,247,713
Inter-Segment Revenue	16,457,796	33,113,470	(49,571,266)	-
Total Revenue	2,600,491,863	143,327,116	(49,571,266)	2,694,247,713
Expenses				
Depreciation and Amortization	(216,739,948)	(21,648,022)	-	(238,387,970)
Write off/ Impairment losses on Property, Plant and Equipment	(2,522,830)	(6,835,182)	-	(9,358,012)
Write off/ Impairment losses Capital Work in Progress	-	(650,000)	-	(650,000)
Provision for Other Receivables	(7,100,197)	-	-	(7,100,197)
Operating Profit/ (Loss) after non-recurring items	202,914,353	(55,888,524)	-	147,025,829
Finance Cost	(45,051,669)	(3,782,309)	-	(48,833,978)
Share of Results of Joint Venture	-	3,302,460	-	3,302,460
Profit/ (Loss) before Zakat	157,862,684	(56,368,373)	-	101,494,311
Zakat	(6,000,000)	(2,624)	-	(6,002,624)
Profit/ (Loss) for the year	151,862,684	(56,370,997)	-	95,491,687
Total Assets as at 31 December 2022	3,311,908,292	509,598,586	-	3,821,506,878

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

	Dairy and Food	Agriculture	Elimination of Inter-Segment Sales	Total
	SAR	SAR	SAR	SAR
Revenue				
External Revenue	2,170,045,530	102,279,274	-	2,272,324,804
Inter-Segment Revenue	26,674,995	60,041,832	(86,716,827)	-
Total Revenue	2,196,720,525	162,321,106	(86,716,827)	2,272,324,804
Expenses				
Depreciation and Amortization	(244,781,410)	(25,217,082)	-	(269,998,492)
Write off/ Impairment losses on Property, Plant and Equipment	(50,783,841)	(30,885,042)	-	(81,668,883)
Write off/ Impairment losses Capital Work in Progress	-	(1,978,062)	-	(1,978,062)
Provision for Other Receivables and Prepayments	(64,947,419)	-	-	(64,947,419)
Operating Loss after non-recurring items	(61,529,135)	(151,786,056)	-	(213,315,191)
Finance Cost	(29,823,394)	(2,187,865)	-	(32,011,259)
Loss before Zakat	(91,352,529)	(153,973,921)	-	(245,326,450)
Zakat	(39,665,809)	(35,864)	-	(39,701,673)
Loss for the year	(131,018,338)	(154,009,785)	-	(285,028,123)
Total Assets as at 31 December 2021	3,394,701,313	495,028,846	-	3,889,730,159



5. OPERATING SEGMENTS – (CONTINUED)

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

	31 December 2022	31 December 2021
	SAR	SAR
Saudi Arabia	2,399,685,681	2,040,551,715
Other Countries	294,562,032	231,773,089
	2,694,247,713	2,272,324,804

6. REVENUE

	31 December 2022	31 December 2021
	SAR	SAR
Dairy and Food revenue	2,543,119,096	2,134,914,671
Sales of Calves and Bulls	94,409,272	86,332,524
Agricultural Products revenue	56,032,743	50,272,756
Others	686,602	804,853
	2,694,247,713	2,272,324,804

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

7. COST OF SALES

	31 December 2022	31 December 2021
	SAR	SAR
Material Consumed	1,483,277,247	1,230,939,676
Government Subsidies *	(34,318,720)	(50,715,006)
	1,448,958,527	1,180,224,670
Depreciation – Property Plant and Equipment and Biological Assets	184,051,496	201,779,120
Employee Benefits	158,542,869	159,383,497
Maintenance and Repairs expenses	50,971,619	57,950,636
Fees and Government Expenses	21,032,306	15,458,478
Insurance Expenses on Property, Plant and Equipment	5,895,712	5,707,454
Rent and Lease Expenses	4,840,963	8,938,724
Utility Expenses	2,485,680	2,415,008
Depreciation – Right-of-Use Assets	868,538	858,732
Amortization	641,561	394,051
Other Expenses	7,624,879	8,375,497
	1,885,914,150	1,641,485,867

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



8. SELLING AND MARKETING EXPENSES

	31 December 2022	31 December 2021
	SAR	SAR
Employee Benefits	221,360,758	213,043,144
Marketing and Distribution Expenses	125,753,874	122,057,495
Fees and Government Expenses	38,986,630	31,378,223
Depreciation – Property Plant and Equipment	24,766,003	33,827,905
Maintenance and Repairs expense	19,727,994	18,190,824
Utility Expenses	18,737,518	18,080,220
Depreciation – Right-of-Use Assets	17,214,967	24,818,629
Rent and Lease Expenses	6,574,723	6,227,826
Insurance Expenses on Property, Plant and Equipment	3,684,318	4,230,558
Amortization	339,452	317,213
Other Expenses	11,043,917	11,747,644
	488,190,154	483,919,681

9. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2022	31 December 2021
	SAR	SAR
Employee Benefits	82,454,418	62,423,595
Information Technology Expenses	31,751,447	23,426,129
Amortization	9,146,932	5,614,435
Professional and Consultancy Expenses	5,824,301	45,366,366
Fees and Government Expenses	2,138,378	1,490,048
Utility Expenses	2,040,672	1,283,371
Depreciation – Property Plant and Equipment	817,302	2,388,407
Insurance Expenses on Property, Plant and Equipment	644,152	318,920
Other Expenses	4,134,461	5,694,883
	138,952,063	148,006,154

10. OTHER EXPENSES, NET

	31 December 2022	31 December 2021
	SAR	SAR
Sales of Ancillary Products/ Service income *	24,068,476	3,265,503
Scrap Sales and other miscellaneous income	1,260,359	6,551,759
Dividend Income from Equity Investments at FVOCI	300,000	300,000
Net Foreign Exchange (Loss)/ Gain	(4,766,010)	(22,853,406)
Loss on Sale of Property, Plant and Equipment and Biological Assets, net	(33,389,787)	(45,667,246)
	(12,526,962)	(58,403,390)

* During the current year, the Company received service income of SAR 7 million for marketing and distribution of fresh vegetables and SAR 6 million for providing technical services to a joint venture company.



11. FINANCE COST

	31 December 2022	31 December 2021
	SAR	SAR
Interest expense on Murabaha Loans	39,236,863	23,102,845
Interest expense on Lease Liabilities	2,224,032	2,763,334
Other Finance Charges	7,373,083	6,145,080
	<u>48,833,978</u>	<u>32,011,259</u>

12. EARNINGS PER SHARE

	31 December 2022	31 December 2021
Profit/ (Loss) attributable to Ordinary Shareholders (Saudi Riyal - SAR)	95,491,687	(285,028,123)
Weighted Average Number of Ordinary Shares (# of Shares)	101,640,000	101,640,000
Earnings/ (Loss) per Share (SAR/Share)	<u>0.94</u>	<u>(2.80)</u>

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



13. PROPERTY, PLANT AND EQUIPMENT

Description	Land		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																												
As at 1 January 2021	294,801,479	576,052,171	472,240,148	483,462,971	1,916,644,389	76,932,530	189,190,991	313,611,330	375,182,784	199,928,065	142,284,379	4,603,790	1,725,199	5,046,660,226														
Addition	-	7,270,712	686,194	1,572,871	38,500,592	-	1,152,065	4,161,539	9,152,537	5,088,299	49,111,594	-	-	116,696,403														
Adjustments/ reclassifications on physical verification*	-	153,374,785	(182,406,380)	(48,933,728)	3,274,931	(4,543,453)	(12,920,899)	(56,022,161)	(50,853,957)	(41,851,508)	(22,011,205)	103,525	(54,847)	(262,844,897)														
Disposals (-)	-	(313,334)	(1,496,229)	(254,420)	(2,247,013)	(8,208)	-	(25,447,838)	(19,509,431)	(484,599)	-	-	-	(49,761,072)														
As at 31 December 2021	294,801,479	736,384,334	289,023,733	435,847,694	1,956,172,899	72,380,869	177,422,157	236,302,870	313,971,933	162,680,257	169,384,768	4,707,315	1,670,352	4,850,750,660														
Additions (+)	-	859,766	3,353,770	861,873	38,598,176	3,270,477	2,223,142	599,077	3,560,698	4,513,616	15,372,186	284,108	-	73,496,889														
Disposals (-)	-	-	-	-	-	-	-	-	(3,348,479)	(67,990)	(8,431,473)	-	-	(11,847,942)														
Foreign currency translation differences	(689)	(2,307,098)	(1,040,723)	(11,415,651)	(9,977,967)	(481,177)	(5,084,761)	(1,955,697)	(194,068)	(211,988)	(2,347,160)	(16)	-	(35,016,995)														
As at 31 December 2022	294,800,790	734,937,002	291,336,780	425,293,916	1,984,793,108	75,170,169	174,560,538	231,597,771	317,338,563	166,913,895	173,978,321	4,991,407	1,670,352	4,877,382,612														
Accumulated Depreciation and Impairment																												
As at 1 January 2021	-	162,427,319	332,404,197	339,432,692	1,196,667,809	69,121,303	171,379,693	281,368,195	309,611,770	162,945,408	53,267,070	4,586,970	321,858	3,083,534,284														
Depreciation during the year (+)	-	11,886,917	24,552,419	8,808,108	76,123,127	2,071,572	5,988,542	13,288,445	24,266,402	13,216,361	6,682,481	3,457	73,178	186,961,009														
Adjustments/ reclassifications on physical verification*	-	87,332,888	(133,652,719)	(13,113,636)	30,340,176	(2,859,494)	(17,915,359)	(51,923,252)	(35,139,325)	(39,330,826)	(5,716,904)	103,524	216,363	(181,658,564)														
Disposals(-)	-	(174,990)	(1,496,229)	(228,024)	(2,219,394)	(8,208)	-	(24,000,974)	(19,219,978)	(469,027)	-	-	-	(47,816,824)														
As at 31 December 2021	-	261,472,134	221,807,688	334,899,140	1,300,911,718	68,325,173	159,452,876	218,732,414	279,518,869	136,361,916	54,232,647	4,693,951	611,399	3,041,019,905														
Depreciation during the year (+)	-	13,032,125	12,132,733	7,233,491	73,728,853	2,767,952	7,110,170	10,126,248	15,987,977	10,988,336	6,751,810	89,769	212,212	160,161,676														
Disposals(-)	-	-	-	-	-	-	-	(2,843,778)	-	(67,990)	(5,947,505)	-	-	(8,859,273)														
Impairment	2,522,830	-	-	-	-	-	-	-	-	-	4,350,000	-	-	6,872,830														
Foreign currency translation differences	-	(2,308,563)	(1,040,799)	(11,415,642)	(9,978,253)	(481,176)	(5,084,765)	(1,952,909)	(193,095)	(211,880)	(2,347,156)	(14)	-	(35,014,252)														
As at 31 December 2022	2,522,830	272,195,696	232,899,602	330,716,988	1,364,662,318	70,611,949	161,478,281	224,061,975	295,313,751	147,070,382	57,039,796	4,783,706	823,611	3,164,180,886														
Net Book Value																												
As at 31 December 2022	292,277,960	462,741,306	58,437,178	94,576,927	620,130,790	4,558,220	13,082,257	7,535,796	22,024,812	19,843,513	116,938,525	207,701	846,741	1,713,201,726														
As at 31 December 2021	294,801,479	474,912,200	67,216,065	100,948,554	655,261,181	4,055,696	17,969,281	17,570,456	34,453,064	26,318,341	115,152,121	13,364	1,058,953	1,809,730,755														

The Company was granted a loan from the Saudi Agricultural Development Fund to finance and expand the olive trees and olive pressing plant in Al Jouf with the guarantee against the property and equipment of Al-Sali Center, including the land on which it is built and the additions and expansions thereof as well as some of the vehicles, machinery and equipment owned by the Company, with a net book value of SAR 26.58 Million, as at 31 December 2022 (31 December 2021: SAR 28.90 Million). (Note 28).

* During 2021 the management has performed physical verification of fixed assets with external consultants and as result of physical verification the management identified idle assets with net book value of SAR 40.26 million and accordingly considered for impairment. Also, assets with net book value of SAR 41.41 million were not available for use and accordingly written off and reclassifications were done due to componentization of assets.

** During the year, the Company recognized an impairment provision for a portion of the land occupied by Saudi Aramco in amounted to SAR 2.5 million (Note 13-2). During the year, the Company did not record any profits resulting from the dates business and there is no alternative use of date palm, accordingly, the management recognized an impairment provision of SAR 4 million.

13. PROPERTY, PLANT AND EQUIPMENT – (CONTINUED)

13.1 Capitalization of Borrowing Cost

The value of borrowing costs capitalized during the year ended 31 December 2022 amounted to SAR 14.34 million (31 December 2021: SAR 8.3 million). Effective interest rate was used to determine the amount of borrowing cost eligible for capitalization. (Refer Note 27).

13.2 Land

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

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

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

The Company originally received certain area of land in Hail, Wadi Al Dawasir and Al Jouf as a conditional non-monetary grant under the Ministry of Environment, Water and Agriculture under the Royal Order M/41 issued on 17 Shawwal 1401H (corresponding to 17 August 1981) hereinafter referred to as "Royal Order of 1981" which stated that the Company will be entitled to the ownership of the land which is revived by the Company. Until 31 March 2020, the Company had recognized portion of these lands at a value of SAR 120.86 million for which the conditions of the grant were met.

On 2 Dhul-Qadah 1441H (corresponding to 23 June 2020), the Company received a letter from Ministry of Environment, Water and Agriculture under number 600/1057/1438 regarding issuance of Royal Order No. 58378 dated 28 Shawwal 1441H (corresponding to 20 June 2020) hereinafter referred to as "Royal Order of 2020" confirming the land which the Company has right to own.

Based on the Royal Order of 2020, the Company has recorded the additional land granted for Al Jouf and Wadi Al Dawasir at its current fair value and has derecognized the unconfirmed land area of Hail from the books which has resulted in a net gain of SAR 111.8 million and have increased the carrying value of land to SAR 232.67 million during the year 2020. During the year 2021, the Company received the legal titles of lands in Wadi Al Dawasir and Al Jouf.

During the current year, the Company received the legal title of the land in Hail as well.

Land Occupied by Saudi Aramco

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

The Supreme Court issued its final decision on 18 Rabi ul Awal 1442H (corresponding to 4 November 2020) to cancel the previous decisions issued in favor of the Company and to cancel the title deeds issued to it. Based on discussions with the respective officials, The Company's management is reasonably certain that the legal title of the revived lands under the Company's use and control will be issued to the Company after obtaining agreements between related parties and all the approvals from related government authorities.

Consequently, when the new title deed will be issued, there will be reduction of Company's assets, due to removal of a limited portion of the land, which is currently being occupied by ARAMCO and a small piece of land in the southern area which is not suitable for agricultural production and consequently is not being used by the Company. Consequently, the Company has booked a provision amounted SAR 2.5 million (note 13)



14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

i. Right-of-Use Assets

	Land & Buildings	Vehicles and Trucks	Machinery	Total
	SAR	SAR	SAR	SAR
Carrying value as at 1 January 2021	18,425,320	30,642,493	9,494,886	58,562,699
Additions during 2021	1,690,326	39,365,839	-	41,056,165
Lease cancellations	(2,420,338)	(48,928)	-	(2,469,266)
Depreciation for 2021	(3,261,160)	(21,557,470)	(858,731)	(25,677,361)
Carrying value as at 31 December 2021	14,434,148	48,401,934	8,636,155	71,472,237
Additions during 2022	2,559,682	157,148	-	2,716,830
Lease cancellations	(237,159)	-	-	(237,159)
Depreciation for 2022	(2,904,136)	(14,330,915)	(848,454)	(18,083,505)
Carrying value as at 31 December 2022	13,852,535	34,228,167	7,787,701	55,868,403

ii. Lease liabilities

	Total
	SAR
Carrying value as at 1 January 2021	62,759,461
Additions on account of new leases in 2021	41,056,165
Interest expense for 2021	2,763,334
Lease cancellations	(2,469,266)
Payment of lease liability during 2021	(33,760,412)
Carrying value as at 31 December 2021	70,349,282
Additions on account of new leases in 2022	2,716,830
Interest expense for 2022	2,224,032
Lease cancellations	(237,159)
Payment of lease liability during 2022	(19,681,703)
Carrying value as at 31 December 2022	55,371,282
Lease liability – Current portion	16,105,659
Lease liability – Non-current portion	39,265,623

15. CAPITAL WORK IN PROGRESS

	31 December 2022	31 December 2021
	SAR	SAR
Capital Work in Progress	110,269,880	97,864,760
Impairment provision	(650,000)	-
Written off During current year	-	(1,978,062)
	109,619,880	95,886,698

16. BIOLOGICAL ASSETS (NON-CURRENT)

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

The Company's Biological Assets as at 31 December 2022 and their changes during the year, and the comparative amounts are as follows;

Biological Assets	Cows	Heifers	Total
	SAR	SAR	SAR
Cost as at 1 January 2022	384,349,210	371,114,235	755,463,445
Additions through Birth/ Conversion	186,213,919	192,763,925	378,977,844
Exclusions as a result of Sale or Death or Conversion	(139,286,364)	(186,213,919)	(325,500,283)
Cost as at 31 December 2022	431,276,765	377,664,241	808,941,006
Accumulated depreciation as at 1 January 2022	69,905,137	-	69,905,137
Depreciation for the year 2022	52,109,895	-	52,109,895
Depreciation on disposals during the year 2022	(48,296,780)	-	(48,296,780)
Accumulated depreciation as at 31 December 2022	73,718,252	-	73,718,252
Net book value as at 31 December 2022	357,558,513	377,664,241	735,222,754
Cost as at 1 January 2021	409,331,447	303,903,231	713,234,678
Additions through Birth/ Conversion	172,710,478	239,921,482	412,631,960
Exclusions as a result of Sale or Death or Conversion	(197,692,715)	(172,710,478)	(370,403,193)
Cost as at 31 December 2021	384,349,210	371,114,235	755,463,445
Accumulated depreciation as at 1 January 2021	87,743,033	-	87,743,033
Depreciation for the year 2021	51,576,306	-	51,576,306
Depreciation on disposals during the year 2021	(69,414,202)	-	(69,414,202)
Accumulated Depreciation as at 31 December 2021	69,905,137	-	69,905,137
Net book value as at 31 December 2021	314,444,073	371,114,235	685,558,308

17. INTANGIBLE ASSETS

	Software and Licenses
	SAR
Cost	
Cost as at 1 January 2021	31,622,373
Additions during the year - 2021	16,223,584
Cost as at 31 December 2021	47,845,957
Additions during the year - 2022	22,573,505
Cost as at 31 December 2022	70,419,462
Accumulated Amortization	
Accumulated Amortization at January 1, 2021	23,562,012
Amortization for the year - 2021	6,325,699
Accumulated Amortization as at 31 December 2021	29,887,711
Amortization for the year - 2022	10,127,945
Accumulated Amortization as at 31 December 2022	40,015,656
Net Book value	
As at 31 December 2022	30,403,806
As at 31 December 2021	17,958,246



18. INVESTMENT

EQUITY ACCOUNTED INVESTEE

	31 December 2022	31 December 2021
	SAR	SAR
Food Security Holding Company*	54,191,236	50,888,776
	<u>54,191,236</u>	<u>50,888,776</u>

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

EQUITY INVESTMENTS AT FVOCI	Ownership (%)	Historical Cost	31 December 2022	31 December 2021	Change in Fair Value 2022	Change in Fair Value 2021
		SAR	SAR	SAR	SAR	SAR
National Company for Seed Production (Seeds)	13.99%	4,128,000	5,127,000	7,121,000	(1,994,000)	2,261,000
United Dairy Farms Company	8.26%	600,000	3,219,000	5,901,000	(2,682,000)	3,132,000
United Poultry Marketing Company (under liquidation)	7.30%	500,000	500,000	500,000	-	-
Total		5,228,000	8,846,000	13,522,000	(4,676,000)	5,393,000
Impairment of Equity Investments at FVOCI		(500,000)	(500,000)	(500,000)	-	-
Net Equity Investments at FVOCI		<u>4,728,000</u>	<u>8,346,000</u>	<u>13,022,000</u>	<u>(4,676,000)</u>	<u>-</u>

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 2022	31 December 2021
	SAR	SAR
Annual Crops	28,050,004	24,118,793
	<u>28,050,004</u>	<u>24,118,793</u>

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



20. INVENTORY

	31 December 2022	31 December 2021
	SAR	SAR
Raw Materials	327,693,207	293,277,982
Finished Goods	120,100,090	87,465,862
Spare Parts	97,923,832	96,400,034
Agricultural Products Inventory	26,007,116	45,296,350
Animal Products (Manure)	7,695,214	8,017,427
Fuel and Oil	5,382,252	4,597,262
	584,801,711	535,054,917
Provision for slow moving Inventory	(68,746,967)	(82,990,955)
	516,054,744	452,063,962
	31 December 2022	31 December 2021
	SAR	SAR
Movement in provision for slow moving inventory	82,990,955	36,092,119
Balance as at 1 January	17,376,685	46,898,836
Provision made during the year	(29,281,848)	-
Provision utilized for write offs	(2,338,825)	-
Foreign Currency Translation difference	68,746,967	82,990,955
Balance as at 31 December		

21. BIOLOGICAL ASSETS - AVAILABLE FOR SALE

	31 December 2022	31 December 2021
	SAR	SAR
Biological Assets - Available for Sale	30,232,197	35,046,943

22. TRADE RECEIVABLES AND OTHER RECEIVABLES

22.A Trade and Other Receivables

	31 December 2022	31 December 2021
	SAR	SAR
Trade Receivables	349,680,271	254,839,134
Government Subsidies due*	108,460,148	102,473,444
Staff Receivables	14,483,295	17,487,392
Other Receivables	6,062,673	9,217,008
	478,686,387	384,016,978
Impairment allowance on Trade Receivables	(53,180,647)	(48,658,152)
Provision for Government Subsidies due	(54,219,292)	(47,119,095)
	371,286,448	288,239,731

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



22. TRADE RECEIVABLES AND OTHER RECEIVABLES – (CONTINUED)

22.B Prepayments

	31 December 2022	31 December 2021
	SAR	SAR
Prepayments to Suppliers	39,705,891	249,507,654
Prepaid expenses and others	34,390,161	32,146,025
	74,096,052	281,653,679
Provision for prepayments	(17,828,324)	(17,828,324)
	56,267,728	263,825,355

During 2021 the Company assessed the recoverability and utilization of prepayments and identified that certain prepayments of SR 17.82 million in respect of which recoverability is not assessable and accordingly provision was made for this.

Movement in Impairment Loss on Trade Receivables	31 December 2022	31 December 2021
	SAR	SAR
Balance as at 1 January	48,658,152	43,427,613
Movement during the year	4,530,346	5,230,539
Foreign Currency Translation difference	(7,851)	-
Balance as at 31 December	53,180,647	48,658,152

Movement in provision for Government Subsidies due	31 December 2022	31 December 2021
	SAR	SAR
Balance as at 1 January	47,119,095	-
Movement during the year	7,100,197	47,119,095
Balance as at 31 December	54,219,292	47,119,095

23. CASH AND BANK BALANCES

	31 December 2022	31 December 2021
	SAR	SAR
Cash at Bank	105,823,911	81,918,355
Cash in Hand	6,938,041	-
	112,761,952	81,918,355

24. SHARE CAPITAL

The Company has 101,640,000 shares as at 31 December 2022 (31 December 2021: 101,640,000) issued and fully paid with a value of SAR 10 per share.

25. STATUTORY RESERVE

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



26. OTHER RESERVES

	SAR
Balance as at 1 January 2021	22,641,853
<u>Changes</u>	
Change in Fair value of Equity Investment at FVOCI	5,393,000
Actuarial Valuation adjustments to Other Reserves	(2,830,424)
Total adjustments to Other Components of Equity	2,562,576
Balance as at 31 December 2021	25,204,429
<u>Changes</u>	
Change in Fair value of Equity Investment at FVOCI	(4,676,000)
Actuarial Valuation adjustments to Other Reserves	6,998,496
Foreign currency translation differences	1,518,828
Total adjustments to Other Components of Equity	3,841,324
Balance as at 31 December 2022	29,045,753

27. MURABAHA LOANS AND BORROWINGS

	Currency of Loans	Interest Rate	Due Date	31 December 2022		31 December 2021	
				Nominal Value SAR'000	Book Value SAR'000	Nominal Value SAR'000	Book Value SAR'000
Islamic Banking Facilities (Murabaha) (28.1)	SAR	SIBOR + Bank Margin	2022-2028	1,416,151	1,427,740	1,626,737	1,631,040
Agricultural Development Fund Loan (28.2)	SAR	Fixed	2022-2027	97,748	97,748	5,463	5,463
Total Loans				1,513,899	1,525,488	1,632,200	1,636,503

- The weighted average interest rate on bank loans during the year 2022 was 3.39% (2021: 2.01%) on per annum basis, however, the rates varied between medium and short-term loans.
- Loans from local banks were granted against promissory note given by the Company.

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

	31 December 2022	31 December 2021
Non-current liabilities	SAR'000	SAR'000
Loans secured by Guarantees	3,481	4,472
Loans not secured by any Guarantee or Security	889,425	1,146,011
	892,906	1,150,483
Current liabilities		
Loans secured by Guarantees	94,267	991
Loans not secured by any Guarantee or Security	538,315	485,029
	632,582	486,020

27.1 Islamic Banking Facilities (Murabaha) from Local Banks

The borrowing under Islamic banking facilities (Murabaha) have been granted against a promissory note issued by the Company. The maturity dates of these facilities are ranging between 2022 to 2028 as agreed with the respective banks and are mostly of a revolving nature. The amount of unused facilities as at 31 December 2022 amounted to SAR 1,145 million (31 December 2021: SAR 697 million).

27. MURABAHA LOANS AND BORROWINGS – (CONTINUED)

27.2 Agricultural Development Fund Loan

The Company was granted a loan from the Agricultural Development Fund under number 803405009 dated 24 Jumada II 1433H (corresponding to 5 May 2012) with a total value of SAR 8.35 million. This loan is secured by a mortgage of specific land owned by the Company along with building on it and any new additions and expansions. Annual installments started from 4 Muharram 1440H (corresponding to 14 September 2018) and ending on 4 Muharram 1449H (corresponding to 8 September 2027), the loan amount was used to finance the irrigation netting pivots of olive seedlings. The Company paid SAR 4.16 million out of the total loan as at 31 December 2022.

The Company was granted another loan on 1 Dhul Qa'da 1433H (corresponding to 17 September 2012 with a total value of SAR 1.6 million under Loan number 803805048. This loan is secured by mortgage on cars, machines and equipment owned by the Company. This loan is payable on annual installments basis starting from 1 Dhul al-Qa'da 1436H (corresponding to 15 August 2015) and ending on 1 Dhul al-Qa'da 1445H (corresponding to 8 May 2024). This loan was fully utilized in Olive project. The Company paid SAR 1.25 million out of the total loan as at 31 December 2022.

On 22 Rabi Al-Thani 1444H (Corresponding to 16 November 2022), the Company was granted short-term loan of SAR 93.3 million for a period of one year. This loan is secured by Inventory owned by the Company. The effective date of this loan starting from 28 Rabi Al-Awwal 1445H (corresponding to 13 October 2023)

The balance of these loans from Agricultural Development Fund on 31 December 2022 amounted to SAR 97.7 million (31 December 2021: SAR 5.5 million).

28. EMPLOYEE BENEFITS OBLIGATION

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

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

	31 December 2022	31 December 2021
	SAR	SAR
Opening balance for Employee Benefits Obligation	163,003,443	165,619,617
Interest Cost	4,543,802	4,176,210
Current Service Cost	15,308,849	17,892,038
Benefits Paid	(23,086,773)	(27,514,846)
Actuarial gain /loss in Other Comprehensive Income	(6,998,496)	2,830,424
Closing Balance for Employee Benefits Obligation	152,770,825	163,003,443

The value of the amounts that have been adjusted for the year ended 31 December 2022 and 31 December 2021 are as follows, according to the Actuarial study conducted

	31 December 2022	31 December 2021
	SAR	SAR
Current Service cost	15,308,849	17,892,038
Interest cost	4,543,802	4,176,210
Expense charged to Statement of Profit or Loss for the year	19,852,651	22,068,248

28. EMPLOYEE BENEFITS OBLIGATION – (CONTINUED)

Other comprehensive income related to the Employee Benefits Plan for the years 2022 and 2021 consists of the following items:

	31 December 2022	31 December 2021
	SAR	SAR
Actuarial loss resulting from changes in financial assumptions	(737,149)	-
Actuarial loss/ (gain) resulting from experience adjustment	(6,261,347)	2,830,424
Actuarial loss/ (gain) in Other Comprehensive Income	(6,998,496)	2,830,424

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

	31 December 2022	31 December 2021
Discount rate	4.30%	2.75%
Expected salary increase rate	5.00%	3.5%
Withdrawal from work (Average Ratio)	Age: Ratio	Age: Ratio
	18-25:18.75%	18-25:18.75%
	26-30:15.00%	26-30:15.00%
	31-50:7.50%	31-50:7.50%
	+51:3.75%	+51:3.75%

29. TRADE AND OTHER PAYABLES

	31 December 2022	31 December 2021
	SAR	SAR
Trade Creditors	452,222,391	495,794,383
Accrued Expenses	128,653,169	140,244,891
Employee Benefits	60,910,897	44,581,842
Payable to Related Parties	11,266,109	6,242,750
Advances from Customers	7,014,307	5,634,187
Other Payables	18,363,980	21,402,776
	678,430,853	713,900,829

30. DIVIDEND PAYABLES

Below table represents the movement in the Dividend Payables.

	SAR
Balance as at 01 January 2021	33,130,736
Paid during the year 2021	(320,958)
Balance as at 31 December 2021	32,809,778
Paid during the year 2022	(229,455)
Balance as at 31 December 2022	32,580,323

31. PROVISION FOR ZAKAT

	31 December 2022	31 December 2021
	SAR	SAR
Opening balance	72,250,415	33,392,599
Zakat provision for current year	6,000,000	6,000,000
Zakat provision for earlier years	-	33,665,809
Zakat on Crops (Sudan)	2,624	35,864
Total charged to Statement of Profit or Loss	6,002,624	39,701,673
Zakat paid during the Year	(1,091,904)	(843,857)
Closing Balance	77,161,135	72,250,415

The Company obtained the final Zakat certificates for the years up to 2013 from the Zakat, Tax and Customs Authority ("ZATCA" or "the Authority"). The Authority issued Zakat assessments for the years 2014-2020, the Company objected to some of its items with the Authority and presently these objections are pending for discussion. During the current previous year the company made provision of SR 33.7 million for aforesaid years based on external consultant opinion.

32. COMMITMENT AND CONTINGENCIES

Capital Commitments

Capital commitments amounted to SAR 67.78 million against contracts for the supply of property, plant and equipment as at 31 December 2022 (31 December 2021: SAR 67.36 million)

Letters of credit

The contingent liabilities against letters of credit are SAR 172.65 million as at 31 December 2022 (31 December 2021: SAR 228.31 million).

Letters of guarantee

The contingent liabilities against letters of guarantee are SAR 44.60 million as at 31 December 2022 (31 December 2021: SAR 54.34 million).

33. FAIR VALUE

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

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

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

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

34. Financial Risk Management

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

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

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

34.1 Credit Risk

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

	31 December 2022	31 December 2021
	SAR	SAR
Cash and Bank Balances	112,761,952	81,918,355
Trade and Other Receivables	368,435,704	277,659,662
	481,197,656	359,578,017

• 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 84% of the balances in Saudi Arabia and 16% of the outstanding balances in the GCC as at 31 December 2022 (31 December 2021: 82% and 18% respectively).

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

34.2 Liquidity Risk

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

34. Financial Risk Management – (Continued)

34.2 Liquidity Risk – (Continued)

Payable as of 31 December 2022	On Demand SAR	Less than 3 months SAR	3 Months to 1 year SAR	1 year to 5 years SAR	Greater than 5 years SAR	Total SAR
Murabaha & Government Loans	-	339,820,872	391,434,283	919,665,578	-	1,650,920,733
Trade Payables	-	463,488,500	-	-	-	463,488,500
Lease Liability repayment	-	8,189,270	9,576,550	30,698,474	8,612,403	57,076,697
Total	-	811,498,642	401,010,833	950,364,052	8,612,403	2,171,485,930

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

• Capital Management

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

	31 December 2022 SAR	31 December 2021 SAR
Islamic and Government Murabaha Loans	1,525,487,745	1,636,502,989
Trade and Other Payables	678,430,853	713,900,829
Employee Benefit Obligations	152,770,825	163,003,443
Provision for Zakat	77,161,135	72,250,415
Dividend Payable	32,580,323	32,809,778
Lease Liabilities	55,371,282	70,349,282
Total Debt	2,521,802,163	2,688,816,736
Cash and Bank Balances	(112,761,952)	(81,918,355)
Net Debt	2,409,040,211	2,606,898,381
Shareholders' Equity	1,295,145,709	1,195,812,698
Shareholders' Equity and Net Debt	3,704,185,920	3,802,711,079
Ratio of Borrowing (indebtedness)	1.54	1.46

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

34. FINANCIAL RISK MANAGEMENT – (CONTINUED)

34.2 Liquidity Risk – (Continued)

• Capital Management – (Continued)

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

No changes were made in the objectives, policies and processes for capital management during the year ended 31 December 2022 and the year ended 31 December 2021.

34.3 Market Risk

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

The Company's exposure to market risk arises from:

- Currency risk
- Interest rate risk

• Currency Risk

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

Currency Movement vs. Saudi Riyal (SAR)							
Foreign Currency	% Change	Average Fx Rate (Foreign Currency/ SAR)		Upward 2022	Downward 2022	Upward 2021	Downward 2021
		2022	2021				
SAR							
Price for \$1	1.00%	3.75	3.750	(352,164)	352,164	(252,865)	252,865
Price for € 1	1.00%	3.98	4.250	(73,372)	73,372	(31,309)	31,309
				(425,536)	425,536	(284,174)	284,174

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

• Interest Rate Risk

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

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

	Change %	Interest Rate Upward Movement SAR	Interest Rate Downward Movement SAR
31 December 2022	1%	15,809,954	(15,809,954)
31 December 2021	1%	15,636,178	(15,636,178)

35. KEY RELATED PARTIES, TRANSACTIONS AND BALANCES

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

Details of key transactions with related parties are as follows:

Company	Relationship with NADEC	Nature of Transaction	Receivables/ (Payables)	Sales/ (Purchases)	Payments/ (collections)	Receivables/ (Payables)	
			-SAR-				
			Balance as at 31 December 2021	Movement during the year 2022			Balance as at 31 December 2022
Saudi Plastic Packaging Systems	Common Directorship	Purchase of Plastic Materials	(4,405,100)	(28,217,191)	25,117,040	(7,505,251)	
Al-Kifah Holding Company	Common Directorship	Purchase of Packing material	(1,837,650)	(8,933,912)	8,622,821	(2,148,741)	
Al Sharq Plastic Industries Co. LTD	Common Directorship	Purchase of Packing material	(1,242,675)	(7,182,593)	6,813,151	(1,612,117)	
Al Watania Agriculture	Common Directorship	Purchase of Olive oil	-	(7,821,290)	7,530,470	93,168	
		Sales of Nadeq Products	-	383,988	5,808,465	-	
Food Security Holding Company	Joint Venture	Income for technical services	-	5,808,465	5,808,465	-	
			Balance as at 31 December 2020	Movement during the year 2021		Balance as at 31 December 2021	
Abdullah Al Othaim Markets	Common Directorship	Sales of Nadeq products	24,821,202	79,413,662	(78,186,518)	26,048,346	
Saudi Plastic Packaging Systems	Common Directorship	Purchase of Plastic Materials	(2,277,333)	(25,600,093)	23,472,326	(4,405,100)	
Al-Kifah Holding Company	Common Directorship	Purchase of Packing material	(740,920)	(6,896,418)	5,799,688	(1,837,650)	
National Poultry Company	Common Directorship	Purchase of Animal feed	-	(7,689,680)	7,689,680	-	

Transactions with Key Management Personnel:

	31 December 2022	31 December 2021
	SAR	SAR
Short term benefits	7,633,629	14,233,802
Long-term benefits	1,506,621	609,023
Total Benefits of Senior Management Personnel	9,140,250	14,842,825

Proposal of the Board of Directors

Dated 27th Jumada Al-Akhirah 1444H (corresponding to 20 January 2023), the Board of Directors recommended the payment of Saudi Riyal One Million and Seven Hundred Fifty Thousand as remuneration to the members of the Board of Directors. This amount is subject to the approval of shareholders during the Annual General Assembly meeting.

36. SUBSEQUENT EVENTS

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

37. RECLASSIFICATION IN COMPARATIVE NUMBERS

Certain of the last year amounts have been reclassified to conform to the presentation in the current year.

38. APPROVAL BY THE BOARD OF DIRECTORS

These Financial Statements for the year ended 31 December 2022 were approved by the Board of Directors on 27 Rajab 1444H corresponding to 18 February 2023.