

# FINANCIAL STATEMENTS

Independent auditors' report	120
Consolidated Statement of Financial Position	125
Consolidated Statement of Profit or Loss	126
Consolidated Statement of Comprehensive Income	127
Consolidated Statement of Changes in Equity	128
Consolidated Statement of Cash Flows	129
Notes to the Consolidated Financial Statements	130





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Almarai

# Independent auditor's report to the shareholders of Almarai Company

## Report on the audit of the consolidated financial statements

### Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Almarai Company (the "Company") and its subsidiaries (together the "Group") as at 31 December 2021, and its consolidated financial performance and its consolidated 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 issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### 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 consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the code of professional conduct and ethics, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Our audit approach

#### Overview

Key Audit Matters

- Carrying value of goodwill
- Carrying value of biological assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

### Key audit matters

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

#### Key audit matter

#### How our audit addressed the Key audit matter

##### Carrying value of goodwill

At 31 December 2021, the Group had goodwill, which arose on past business combinations, amounting to Saudi Riyals 942.6 million.

In accordance with the International Accounting Standard (IAS) 36 "Impairment of assets" ("IAS 36"), an entity is required to test goodwill acquired in a business combination for impairment at least annually irrespective of whether there is any indication of impairment.

Goodwill is monitored by management at the level of cash-generating units ("CGUs"). Management carried out an impairment exercise as at 31 December 2021 in respect of goodwill allocated to each CGU by determining a recoverable amount based on value-in-use derived from a discounted cash flow model, which was based on the most recent formal business plan prepared by the Group's management. This exercise did not identify any impairment loss to be recognized.

We considered impairment testing of goodwill performed by the management to be a key audit matter since the assessment of the recoverable amount of goodwill under the value-in-use basis is complex and requires considerable judgment on the part of management. The critical judgmental elements of management's assessment are:

- a) assumptions concerning the expected economic conditions, especially growth in the markets in which the Group primarily operates;

We audited management's assessment of goodwill impairment by performing the following procedures:

- Assessed the methodology used by management to determine a recoverable value based on the value-in-use of the assets in each CGU and compared it to that required by IAS 36. We inquired and discussed with management any changes made to the impairment model in the current year and tested the arithmetical accuracy of the model;
- Tested the accuracy and relevance of the input data used in the model by reference to supporting evidence, such as approved budgets, and considered the reasonableness of these budgets by comparison to the Group's historical results and performance against budgets;
- Reviewed the methodology applied that underpins the value-in-use calculations and use of key assumptions including in particular, sales growth rates and pre-tax discount rates; and
- Performed sensitivity analyses over the key assumptions, principally sales growth rates and pre-tax discount rates, in order to assess the potential impact of a range of possible outcomes.

# Independent auditor's report to the shareholders of Almarai Company continued

## Report on the audit of the consolidated financial statements

### Key audit matter

### How our audit addressed the Key audit matter

#### Carrying value of goodwill (continued)

- b) assumptions of the impact of the future actions of the Group's main competitors on expected revenue and gross margin assumptions; and
- c) sales growth rates and pre-tax discount rates used in the value-in-use model.

We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements.

Refer to Note 5.10 for the accounting policy and Note 10 for the related disclosures in the accompanying consolidated financial statements.

### Key audit matter

### How our audit addressed the Key audit matter

#### Carrying value of biological assets

As indicated in Note 11 to the consolidated financial statements, the carrying value of biological assets as at 31 December 2021 amounted to Saudi Riyals 1,587 million. This includes Saudi Riyals 1,373 million relating to the Group's 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. Management has determined that fair value cannot be reliably measured for the Group's dairy herd and have therefore accounted for the dairy herd at cost less accumulated depreciation and impairment losses.

We considered this to be a key audit matter as the determination that fair values cannot be reliably measured is largely based on management's judgement supported by detailed analysis and the carrying value of such assets is material to the consolidated financial statements. An alternative approach could have a material effect on the Group's reported profit for the year and its financial position at 31 December 2021.

Refer to Note 5.9 for the accounting policy and Notes 6.1 and 28.1 for the related disclosures in the accompanying consolidated financial statements.

We performed the following procedures in relation to the carrying value of the dairy herd.

- Obtained a detailed understanding of management's basis for rebutting the presumption of IAS 41 for measuring biological assets at fair value less costs to sell. We considered accounting practices used elsewhere for similar entities both within the Kingdom of Saudi Arabia and overseas;
- Assessed management's assertion that market value based (Level I and II) valuation approaches are not possible by consideration of relevant markets available to the Group and consideration of the differences between the Group's dairy herd operations compared to other similar entities;
- Considered management's assertion that a discounted cash flow or replacement cost (Level III) approach would result in a fair value that is clearly unreliable by reviewing the management analysis and support for such an assertion and comparing it to our understanding of the business; and
- Compared the basis on which management capitalises and depreciates the dairy herd to the approach followed by relevant accounting standards.

We also reviewed the adequacy of the Group's disclosures included in the accompanying consolidated financial statements in relation to biological assets.

## Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group (but does not include the consolidated financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

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

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

# Independent auditor's report to the shareholders of Almarai Company

continued

## Report on the audit of the consolidated financial statements

- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

## PricewaterhouseCoopers



**Omar M. Al Sagga**

License Number 369

23 January 2022



# Consolidated Statement of Financial Position

As at 31 December 2021

		31 December 2021	31 December 2020
	Notes	SAR '000	SAR '000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7	20,873,448	21,112,904
Long-term Prepayments	8	579,677	606,939
Right-of-Use Assets	9	464,704	470,269
Intangible Assets and Goodwill	10	1,129,105	1,217,642
Biological Assets	11	1,469,084	1,392,079
Investments in Associate and Joint Venture	12	88,749	89,623
Equity Investment	12	-	129,734
Derivative Financial Instruments	36	2,011	142
Deferred Tax Assets	22	45,339	35,517
		24,652,117	25,054,849
<b>Current Assets</b>			
Inventories	13	4,353,596	4,705,364
Biological Assets	11	117,980	90,195
Trade Receivables, Prepayments and Other Receivables	14	1,991,205	1,936,341
Derivative Financial Instruments	36	11,597	54,047
Equity Investment	12	46,894	-
Cash and Cash Equivalents	15	580,913	503,510
		7,102,185	7,289,457
<b>TOTAL ASSETS</b>		<b>31,754,302</b>	<b>32,344,306</b>
<b>EQUITY AND LIABILITIES</b>			
Share Capital	16	10,000,000	10,000,000
Statutory Reserve		2,585,270	2,428,915
Treasury Shares	17	(875,157)	(906,594)
Other Reserves	18	(622,389)	(443,871)
Retained Earnings		5,031,770	4,608,458
<b>Equity Attributable to Equity Holders of the Company</b>		<b>16,119,494</b>	<b>15,686,908</b>
Non-Controlling Interests	19	498,919	546,771
<b>TOTAL EQUITY</b>		<b>16,618,413</b>	<b>16,233,679</b>
<b>Non-Current Liabilities</b>			
Loans and Borrowings	20	7,072,240	10,088,955
Lease Liabilities	9	360,434	330,980
Employee Retirement Benefits	21	951,827	909,353
Derivative Financial Instruments	36	10,041	3,757
Deferred Tax Liabilities	22	117,302	102,139
		8,511,844	11,435,184
<b>Current Liabilities</b>			
Bank Overdrafts	32	78,395	137,512
Loans and Borrowings	20	2,631,598	1,026,013
Lease Liabilities	9	80,710	94,509
Zakat	23	429,988	371,993
Income Tax Payable	23	17,264	26,311
Trade and Other Payables	24	3,339,496	3,014,834
Derivative Financial Instruments	36	46,594	4,271
		6,624,045	4,675,443
<b>TOTAL LIABILITIES</b>		<b>15,135,889</b>	<b>16,110,627</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>31,754,302</b>	<b>32,344,306</b>

The accompanying notes 1 to 41 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

**Danko Maras**  
Chief Financial Officer

**Abdullah Nasser Al Bader**  
Chief Executive Officer

**HH Prince Naif Bin Sultan Bin Mohammed  
Bin Saud Al Kabeer**  
Chairman



# Consolidated Statement of Profit or Loss

For the year ended 31 December 2021

		31 December 2021	31 December 2020
	Notes	SAR '000	SAR '000
Revenue	31	15,849,720	15,356,948
Cost of Sales	25	(10,790,450)	(9,821,440)
<b>Gross Profit</b>		<b>5,059,270</b>	<b>5,535,508</b>
Selling and Distribution Expenses	26	(2,518,851)	(2,490,479)
General and Administration Expenses	27	(428,157)	(419,790)
Other Expenses, net	28	(85,563)	(78,428)
Impairment Loss on Financial Assets		(11,845)	(24,477)
<b>Operating Profit</b>		<b>2,014,854</b>	<b>2,522,334</b>
Finance Cost, net	29	(346,063)	(495,881)
Share of Results of Associate	12	(941)	1,405
<b>Profit before Zakat and Income Tax</b>		<b>1,667,850</b>	<b>2,027,858</b>
Zakat	23	(77,080)	(72,042)
Income Tax	22,23	(11,334)	(20,260)
<b>Profit for the year</b>		<b>1,579,436</b>	<b>1,935,556</b>
<b>Profit / (Loss) for the year attributable to:</b>			
Shareholders of the Company		1,563,543	1,984,361
Non-Controlling Interests		15,893	(48,805)
		1,579,436	1,935,556
<b>Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company</b>			
- Basic	30	1.59	2.02
- Diluted	30	1.56	1.98

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Chief Financial Officer

**Abdullah Nasser Al Bader**  
Chief Executive Officer

**HH Prince Naif Bin Sultan Bin Mohammed  
Bin Saud Al Kabeer**  
Chairman

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

		31 December 2021	31 December 2020
	Notes	SAR '000	SAR '000
<b>Profit for the year</b>		1,579,436	1,935,556
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial Loss on Employee Retirement Benefits	21	(4,929)	(25,459)
Change in the Fair Value of Equity Investment through FVOCI	12	(1,902)	(15,950)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Settlement of Cash Flow Hedges transferred to Inventory / PPE		(82,425)	(29,950)
Foreign Currency Translation Differences		4,540	4,713
Movement in Fair Value on Cash Flow Hedges		34,364	35,324
Settlement of Cash Flow Hedges transferred to Profit or Loss		(41,127)	33,992
Other Comprehensive (Loss) / Income for the year, net of Income Tax		(91,479)	2,670
<b>Total Comprehensive Income for the year</b>		<b>1,487,957</b>	<b>1,938,226</b>
<b>Total Comprehensive Income / (Loss) for the year attributable to:</b>			
Shareholders of the Company		1,471,041	1,980,597
Non-Controlling Interests		16,916	(42,371)
		<b>1,487,957</b>	<b>1,938,226</b>

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Chief Executive Officer

**HH Prince Naif Bin Sultan Bin Mohammed  
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Chairman

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share Capital	Statutory Reserve	Treasury Shares	Other Reserves	Retained Earnings	Equity Attributable to Equity Holders	Non-Controlling Interests	Total Equity
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>Balance at 1 January 2020</b>	<b>10,000,000</b>	<b>2,230,479</b>	<b>(770,740)</b>	<b>(450,587)</b>	<b>3,644,197</b>	<b>14,653,349</b>	<b>605,771</b>	<b>15,259,120</b>
Profit / (Loss) for the year	-	-	-	-	1,984,361	1,984,361	(48,805)	1,935,556
Other Comprehensive Income / (Loss) for the year	-	-	-	23,829	(27,593)	(3,764)	6,434	2,670
Total Comprehensive Income / (Loss)	-	-	-	23,829	1,956,768	1,980,597	(42,371)	1,938,226
Transfer during the year	-	198,436	-	-	(198,436)	-	-	-
Directors' Remuneration	-	-	-	-	(5,767)	(5,767)	-	(5,767)
<b>"Transactions with Owners in their Capacity as Owners"</b>								
Dividend Declared SAR 0.85 per Share	-	-	-	-	(850,000)	(850,000)	-	(850,000)
"Reclassification of Dividend Declared on Treasury Shares in Prior Years"	-	-	-	-	41,546	41,546	-	41,546
Share Based Payment Transactions	-	-	-	15,398	-	15,398	-	15,398
Settlement of Treasury Shares	-	-	114,607	(32,511)	20,150	102,246	-	102,246
Purchase of Treasury shares	-	-	(250,461)	-	-	(250,461)	-	(250,461)
Transactions with Non Controlling Interests	-	-	-	-	-	-	(16,629)	(16,629)
<b>Balance at 31 December 2020</b>	<b>10,000,000</b>	<b>2,428,915</b>	<b>(906,594)</b>	<b>(443,871)</b>	<b>4,608,458</b>	<b>15,686,908</b>	<b>546,771</b>	<b>16,233,679</b>
<b>Balance at 1 January 2021</b>	<b>10,000,000</b>	<b>2,428,915</b>	<b>(906,594)</b>	<b>(443,871)</b>	<b>4,608,458</b>	<b>15,686,908</b>	<b>546,771</b>	<b>16,233,679</b>
Profit for the year	-	-	-	-	1,563,543	1,563,543	15,893	1,579,436
Other Comprehensive (Loss) / Income for the year	-	-	-	(87,598)	(4,904)	(92,502)	1,023	(91,479)
Total Comprehensive (Loss) / Income	-	-	-	(87,598)	1,558,639	1,471,041	16,916	1,487,957
Transfer during the year	-	156,355	-	-	(156,355)	-	-	-
Directors' Remuneration	-	-	-	-	(5,087)	(5,087)	-	(5,087)
<b>"Transactions with Owners in their Capacity as Owners"</b>								
Dividend Declared SAR 1 per Share	-	-	-	-	(981,254)	(981,254)	-	(981,254)
Share Based Payment Transactions	-	-	-	20,370	-	20,370	-	20,370
Settlement of Treasury Shares	-	-	31,437	(8,626)	6,336	29,147	-	29,147
Purchase of Additional Stake in MFI (Refer note 1)	-	-	-	(102,664)	-	(102,664)	(47,336)	(150,000)
Transactions with Non Controlling Interests	-	-	-	-	1,033	1,033	(17,432)	(16,399)
<b>Balance at 31 December 2021</b>	<b>10,000,000</b>	<b>2,585,270</b>	<b>(875,157)</b>	<b>(622,389)</b>	<b>5,031,770</b>	<b>16,119,494</b>	<b>498,919</b>	<b>16,618,413</b>

The accompanying notes 1 to 41 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

**Danko Maras**  
Chief Financial Officer

**Abdullah Nasser Al Bader**  
Chief Executive Officer

**HH Prince Naif Bin Sultan Bin Mohammed Bin Saud Al Kabeer**  
Chairman

# Consolidated Statement of Cash Flows

For the year ended 31 December 2021

		31 December 2021	31 December 2020
	Notes	SAR '000	SAR '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		1,579,436	1,935,556
Adjustments for non-cash items:			
Depreciation of Property, Plant and Equipment	7	1,608,569	1,600,408
Amortisation of Long-term Prepayments	8	27,262	20,759
Depreciation of Right-of-Use Assets	9	102,737	108,505
Amortisation of Intangible Assets	10	66,476	56,681
Depreciation of Biological Assets	11	360,241	349,178
(Gain)/Loss arising from Changes in Fair Value less Cost to Sell of Crops		(2,477)	3,800
Provision for Employee Retirement Benefits	21	117,115	119,085
Share Based Payment Expense		20,370	15,398
Finance Cost, net	29	346,063	495,881
Other Expenses, net		85,863	93,887
Share of Results of Associate	12	941	(1,405)
Zakat	23	77,080	72,042
Income Tax	22,23	11,334	20,260
		<b>4,401,010</b>	<b>4,890,035</b>
Changes in Working Capital:			
Inventories		2,304,663	1,148,049
Biological Assets		(1,978,985)	(1,650,036)
Trade Receivables, Prepayments and Other Receivables		(55,531)	(65,165)
Trade and Other Payables		358,167	26,522
Cash Flow Generated from / (Used in) Working Capital		628,314	(540,630)
Employee Retirement Benefits Paid	21	(79,570)	(61,590)
Zakat and Income Tax Paid	23	(34,749)	(84,763)
<b>Net Cash Generated from Operating Activities</b>		<b>4,915,005</b>	<b>4,203,052</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from Redemption of Time Deposit		-	585,000
Proceeds from Sale of Right Issues of Equity Investment		-	15,279
Proceeds from Sale of Equity Investment	12	80,938	-
Purchase of Manufacturing Facility	1	(219,369)	-
Dividend from Equity Investment	28	300	180
Additions to Property, Plant and Equipment		(1,087,816)	(823,691)
Proceeds from the Disposal of Property, Plant and Equipment		40,304	110,636
Additions to Intangible Assets	10	(57,175)	(144,971)
Additions to Biological Assets		(822,094)	(764,405)
Proceeds from the Disposal of Biological Assets		250,665	234,345
<b>Net Cash Used in Investing Activities</b>		<b>(1,814,247)</b>	<b>(787,627)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from Loans and Borrowings		10,659,617	4,950,633
Repayment of Loans and Borrowings		(12,129,264)	(6,581,891)
Purchase of Additional Stake in a Subsidiary	1	(150,000)	-
Finance Cost Paid		(342,446)	(467,844)
Dividend Paid		(978,187)	(847,896)
Purchase of Treasury Shares	17	-	(250,461)
Settlement of Treasury Shares		29,147	102,246
Transactions with Non Controlling Interests		(6,407)	(23,889)
Principal Element of Lease Payments		(86,765)	(108,068)
Interest Element of Lease Payments		(14,369)	(17,102)
Directors' Remuneration		(5,087)	(5,767)
<b>Net Cash Used in Financing Activities</b>		<b>(3,023,761)</b>	<b>(3,250,039)</b>
<b>Net Change in Cash and Cash Equivalents</b>		<b>76,997</b>	<b>165,386</b>
Cash and Cash Equivalents at 1 January		503,510	338,435
Effect of Movements in Exchange Rates on Cash and Cash Equivalents		406	(311)
<b>Cash and Cash Equivalents at 31 December</b>	15	<b>580,913</b>	<b>503,510</b>

The accompanying notes 1 to 41 form an integral part of these Consolidated Financial Statements, which have been authorised for issue by the Board of Directors on behalf of the Shareholders and signed on its behalf by:

**Danko Maras**  
Chief Financial Officer

**Abdullah Nasser Al Bader**  
Chief Executive Officer

**HH Prince Naif Bin Sultan Bin Mohammed  
Bin Saud Al Kabeer**  
Chairman

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

## 1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION

Almarai Company (the “Company”) is a Saudi Joint Stock Company, which was converted from a limited liability company to a joint stock company on 2 Rajab 1426 A.H. (8 August 2005). The Company initially commenced trading on 19 Dul Hijjah 1411 A.H. (1 July 1991) and operates under Commercial Registration No. 1010084223. Prior to the consolidation of activities in 1991, the core business was trading between 1977 and 1991 under the Almarai brand name.

The Company’s Head Office is located at Exit 7, North Ring Road, Al Izdihar District, P.O. Box 8524, Riyadh 11492, Kingdom of Saudi Arabia (“Saudi Arabia”).

The Company and its subsidiaries (together, the “Group”) are a major integrated consumer food and beverage Group in the Middle East with leading market share in Saudi Arabia. It also operates in Egypt, Jordan and other Gulf Cooperation Council (“GCC”) countries.

Dairy, Fruit Juices and related food business is operated under the “Almarai”, “Joosy Life”, “Beyti” and “Teeba” brand names. All raw milk production, Dairy and Fruit Juice product processing and related food product manufacturing activities are undertaken in Saudi Arabia, United Arab Emirates (“UAE”), Egypt and Jordan.

Dairy, Fruit Juices and related food business in Egypt and Jordan operates through International Dairy and Juice Limited (“IDJ”), a joint venture with PepsiCo, in which the Company holds a controlling interest. The Group manages IDJ operations through the following key subsidiaries:

### Jordan

Teeba Investment for Developed Food Processing

### Egypt

International Company for Agricultural Industries Projects (Beyti) (SAE)

Bakery products are manufactured and traded by Western Bakeries Company Limited and Modern Food Industries Company Limited, a venture with Chipita Group, in which the Company holds a controlling interest, under the brand names “L’usine” and “7 Days”, respectively.

Poultry products are manufactured and traded by Hail Agricultural Development Company under the “Alyoum” and “AlBashayer” brand names.

Infant Nutrition products are manufactured by Almarai Baby Food Company Limited and traded by International Pediatric Nutrition Company under “Nuralac” and “Evolac” brand names.

In territories where the Group has operations, final consumer packed products are distributed from manufacturing facilities to local distribution centres by the Group’s long haul distribution fleet. The distribution centres in GCC countries are managed through subsidiaries in UAE, Sultanate of Oman (“Oman”) and Kingdom of Bahrain (“Bahrain”) and an agency agreement in Kuwait as follows:

## **UAE**

Almarai Emirates Company LLC

## **Oman**

Arabian Planets for Trading and Marketing LLC

## **Bahrain**

Almarai Company Bahrain S.P.C

## **Kuwait**

Al Kharafi Brothers Dairy Products Company Limited

In other territories, where permissible by law, export sales are made through other subsidiaries.

The Group owns and operates arable farms in Argentina, and in United States of America (“USA”), collectively referred to as “Fondomonte”, through the following key subsidiaries:

## **USA**

Fondomonte Holdings North America LLC

## **Argentina**

Fondomonte South America S.A

The Group’s non-GCC business operations under IDJ and Fondomonte are managed through Almarai Investment Holding Company W.L.L., a Company incorporated in Bahrain.

The Group owns 93.5% shareholding in Pure Breed Poultry Company Limited whose main operations are focused on poultry grandparent farming.

The Group owns 100% shareholding in Premier Foods Industries Company LLC (“Premier Foods”) in Saudi Arabia. Premier Foods is primarily engaged in providing value added products (meat and poultry) to the food services industry in the Middle East.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION continued

#### Acquisitions:

- a) On 24 Ramadan 1442 A.H. (2 May 2021), the Group has acquired further 15% shares in Modern Foods Industries Company Limited (“MFI”) owned by Olayan Financing Company (hereinafter referred to as “Olayan”) for a total value of Saudi Riyal (“SAR”)150 million paid in cash, resulting in an increase in its shareholding from 60% to 75%. Immediately prior to the purchase, the carrying amount of the existing 15% non-controlling interest (‘NCI’) owned by Olayan was Saudi Riyals 47 million. The purchase was accounted for as an equity transaction with owners with no impact on the profit or loss account for the year ended 31 December 2021. The difference of SAR 103 million between the carrying value of NCI owned by Olayan and consideration paid was recorded under equity as part of other reserves.

There were no significant transactions with non-controlling interests in 2021 and 2020 except for those disclosed above.

- b) On 20 On 20 Shabaan 1442 (15 March 2021), the Group entered into a Share Purchase Agreement (‘SPA’) to acquire 100% shares of Bakemart FZ L.L.C and Bakemart L.L.C, based in UAE and Bakemart W.L.L based in Bahrain (collectively “Bakemart”) for an enterprise value of AED 93.5 million (SAR 95.5 million).

The closures of the acquisition and determination of the date of control was subject to completion of certain conditions/requisites outlined in the agreement. It included certain approvals from regulatory authorities, appointment of Board of Directors and key management personnel and settlement of consideration payable with the counterparty.

On 8 July 2021, the Group obtained General Authority for Competition (‘GAC’) approval for acquisition of Bakemart, however, other required conditions were not met as at 31 December 2021 and therefore management concluded that this acquisition did not meet the ‘control’ criteria under the relevant accounting standard and as such the financial impact and results of the acquisition will be incorporated in Group’s Financial Statements on successful completion of these conditions. Also refer to note 40.

#### Asset Purchase Transactions:

- a) On 20 Shawwal 1442 (1 June 2021), the Group entered into an Asset Purchase Agreement (‘APA’) with Binghatti Beverages Manufacturing L.L.C (‘BBM’) for the purchase and acquisition of BBM production facility based in UAE for the consideration of AED 215 million (SAR 219.4 million) settled in cash.

### Covid-19 Update:

In response to the spread of the Covid-19 in GCC and other territories where the Group operates and its resulting disruptions to the social and economic activities in those markets over the last two years, management continues to proactively assess its impacts on its operations. In particular the Group is closely monitoring the current surge in cases due to the outbreak of a new variant - Omicron. The preventive measures taken by the Group in April 2020 are still in effect including the creation of on-going crisis management teams and processes, to ensure the health and safety of its employees, customers, consumers and the wider community as well as to ensure the continuity of supply of its products throughout its markets. Access of fully vaccinated individuals to farming and manufacturing facilities has been restored. Employee health continues to be a key area of focus with programs being implemented to assist with increasing awareness, identification, support and monitoring of employee health. More than 95% of the employees of the Group have been fully vaccinated for at least two doses of vaccines and the management is working on a plan to encourage booster shots and has already arranged booster clinics at head office and other sites.

The management of the Group believes that any lockdown measures being reintroduced will not materially affect the underlying demand from retail and wholesale customers for the Group's products and forecast. The impact of such measures will be limited to changes in product mix only.

Based on these factors, management believes that the Covid-19 pandemic has had no material effect on Almarai's reported financial results for the year ended 31 December 2021 including the significant accounting judgements and estimates.

The Group continues to monitor the surge of the new variant closely although at this time management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2022 or beyond.

### Climate change:

The Group is subject to short-term and long-term climate change related risks (due to increasing customer, investor, and government expectations). These risks are inherent part of operating a food industry. Almarai continually works to reduce the environmental footprint of the business, in part, due to the inherent risks.

Rising fuel costs and the greenhouse gas emissions associated with fuel and electricity consumption have an impact not only on the environment but also on Almarai's financial bottom line. Climate change also creates risks for agricultural production through droughts, pests, diseases, etc. that pose challenges for sustaining and increasing production levels.

The group has developed a sustainability strategy, outlining how it will improve its energy performance through efficient energy consumption and generation from sustainable sources. The strategy focuses on solar power generation, water and energy efficiency, sustainable arable farming practices, landfill waste reduction, commitment to 100% CFC-free cold storage at its sales depot, and fuel efficiency measures including trailing alternative fuel vehicles.



# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION continued

Details of subsidiary companies are as follows:

Name of Subsidiary	Country of Incorporation	Business Activity
Almarai Investment Company Limited	Saudi Arabia	Holding Company
Almarai Baby Food Company Limited	Saudi Arabia	Manufacturing Company
Almarai Agricultural And Livestock Production Company Limited	Saudi Arabia	Under Liquidation
Almarai Construction Company Limited	Saudi Arabia	Dormant
Almarai for Maintenance and Operation Company Limited	Saudi Arabia	Under Liquidation
Agricultural Input Company Limited (Mudkhalat)	Saudi Arabia	Under Liquidation
Hail Agricultural Development Company	Saudi Arabia	Poultry / Agricultural Company
Hail Agricultural And Livestock Production Company Limited	Saudi Arabia	Under Liquidation
International Baking Services Company Limited	Saudi Arabia	Dormant
International Pediatric Nutrition Company Limited	Saudi Arabia	Dormant
"Modern Food Industries Company Limited (Refer note 1)"	Saudi Arabia	Bakery Company
Nourlac Company Limited	Saudi Arabia	Under Liquidation
Western Bakeries Company Limited	Saudi Arabia	Bakery Company
Pure Breed Poultry Company Limited	Saudi Arabia	Poultry Company
Premier Food Industries Company L.L.C	Saudi Arabia	Manufacturing and Trading Company
"Artas United Limited Company"	Saudi Arabia	Transportation and Storage Company
Agro Terra S.A.	Argentina	Dormant
Fondomonte South America S.A.	Argentina	Agricultural Company
Almarai Company Bahrain S.P.C.	Bahrain	Trading Company
Almarai Investment Holding Company W.L.L.	Bahrain	Holding Company
IDJ Bahrain Holding Company W.L.L.	Bahrain	Holding Company
International Dairy and Juice Limited	Bermuda	Holding Company
International Dairy and Juice (Egypt) Limited	Egypt	Holding Company
International Company for Agricultural Industries Projects (Beyti) (SAE)	Egypt	Manufacturing and Trading Company
Beyti For Importation and Exportation Company L.L.C.	Egypt	Trading Company
BDC Info Private Limited	India	Operations Management
Markley Holdings Limited	Jersey	Dormant
Al Muthedoon for Dairy Production	Jordan	Dormant
Al Atheer Agricultural Company	Jordan	Livestock / Agricultural Company
Al Namouthjya for Plastic Production	Jordan	Dormant
Al Rawabi for juice and UHT milk Manufacturing	Jordan	Manufacturing Company
Teeba Investment for Developed Food Processing	Jordan	Manufacturing Company
Arabian Planets for Trading and Marketing L.L.C.	Oman	Trading Company
Alyoum for Food Products Company L.L.C.	Oman	Dormant
Fondomonte Inversiones S.L.	Spain	Holding Company
Hail Development Company Limited	Sudan	Dormant
Almarai Emirates Company L.L.C.	UAE	Trading Company
International Dairy and Juice (Dubai) Limited	UAE	Liquidated
BDC international L.L.C.	UAE	Operations Management
Almarai Company Drinks Manufacturing LLC	UAE	Manufacturing Company
Fondomonte Holding North America L.L.C.	US	Holding Company
Fondomonte Arizona L.L.C.	US	Agricultural Company
Fondomonte California L.L.C.	US	Agricultural Company
Hayday Farm Operation L.L.C.	US	Agricultural Company

Effective Ownership Interest				
	2021	2020	Share Capital	Number of Shares Issued
	100%	100%	"SAR 1,000,000"	1,000
	100%	100%	"SAR 200,000,000"	20,000,000
	100%	100%	"SAR 1,000,000"	1,000
	100%	100%	"SAR 1,000,000"	1,000
	100%	100%	"SAR 1,000,000"	1,000
	52%	52%	"SAR 25,000,000"	250
	100%	100%	"SAR 300,000,000"	30,000,000
	100%	100%	"SAR 1,000,000"	1,000
	100%	100%	"SAR 500,000"	500
	100%	100%	"SAR 41,000,000"	410,000
	75%	60%	"SAR 70,000,000"	70,000
	100%	100%	"SAR 3,000,000"	3,000
	100%	100%	"SAR 200,000,000"	200,000
	94%	94%	"SAR 46,500,000"	465,000
	100%	100%	"SAR 500,000"	50,000
	100%	100%	SAR 10,000	100
	100%	100%	"ARS 5,097,984"	5,097,984
	100%	100%	"ARS 2,211,988,598"	2,211,988,598
	100%	100%	"BHD 100,000 "	1,000
	100%	99%	"BHD 34,450,000"	344,500
	52%	52%	"BHD 250,000"	2,500
	52%	52%	"USD 7,583,334"	7,583,334
	52%	52%	"EGP 3,233,750,000"	323,375,000
	52%	52%	"EGP 3,802,366,670"	380,236,667
	52%	52%	"EGP 2,000,000"	2,000
	100%	100%	"INR 2,750,680"	275,068
	100%	100%	"GBP 5,769,822"	5,769,822
	52%	52%	"JOD 500,000"	500,000
	52%	52%	"JOD 750,000"	750,000
	52%	52%	"JOD 250,000"	250,000
	52%	52%	"JOD 500,000"	500,000
	52%	52%	"JOD 21,935,363"	21,935,363
	90%	90%	"OMR 150,000"	150,000
	100%	100%	"OMR 20,000 "	20,000
	100%	100%	"EUR 138,505,946"	138,505,946
	100%	100%	"SDG 100,000"	100
	100%	100%	"AED 300,000 "	300
	-	52%	"USD 22,042,183"	22,042,183
	100%	100%	"AED 200,000"	200
	100%	100%	"AED 250,000 (Unpaid)"	100
	100%	100%	"USD 500,000"	50,000
	100%	100%	"USD 500,000"	50,000
	100%	100%	-	-
	100%	100%	-	-

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (here and after refer to as “IFRS as endorsed in Saudi Arabia”).

#### 2.2 Preparation of The Financial Statements

These Consolidated Financial Statements have been prepared on the historical cost basis except for the following material items in the Consolidated Statement of Financial Position:

- Derivative financial instruments are measured at fair value.
- Equity Investment at Fair Value through Other Comprehensive Income (“FVOCI”) is measured at fair value.
- The employee retirement benefit is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Biological Assets, where fair value is reliably measurable, have been measured at fair value. (Refer note 6.1)

Certain comparative amounts have been adjusted to conform to the current year presentation.

### 3. BASIS OF CONSOLIDATION

These Consolidated Financial Statements comprising the Consolidated Statement of Financial Position, Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and notes to the Consolidated Financial Statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). The Company and its subsidiaries are collectively referred to as the “Group”. Subsidiaries are entities controlled by the Group. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired and fair value of pre-existing equity interest in the subsidiary. The excess of the cost of acquisition and amount of Non – Controlling Interest (“NCI”) over the fair value of the identifiable net assets acquired is recorded as goodwill in the Consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the acquisition date carrying value of the Group’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the Consolidated Statement of Profit or Loss. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

## 4. FUNCTIONAL AND PRESENTATION CURRENCY

These Consolidated Financial Statements are presented in SAR, which is the Company's functional and the Group's presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

## 5. SIGNIFICANT ACCOUNTING POLICIES

### 5.1. New Standards, Amendment to Standards and Interpretations:

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021.

#### 5.1.1. Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

#### 5.1.2. Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The adoption of above amendments does not have any material impact on the Consolidated Financial Statements during the year.

### 5.2. Standards issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

#### 5.2.1. Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 5. SIGNIFICANT ACCOUNTING POLICIES continued

#### 5.2.2. Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

#### 5.2.3. Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

#### 5.2.4. Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

### 5.3. Cash and Cash Equivalents

Cash and cash equivalents include bank balances, cheques in hand and deposits with original maturities of three months or less, if any.

### 5.4. Inventories

Inventories are measured at the lower of cost or net realisable value ("NRV"). Cost is determined using the weighted average method. Cost comprises all direct manufacturing expenditure based on the normal level of activity and transportation and handling costs. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of inventories. NRV comprises estimated selling price less further production costs to completion and appropriate selling and distribution costs. Allowance is made, where necessary for slow moving inventories. Cost of inventories is recognised as an expense and included in cost of sales.

Agriculture produce harvested from biological assets are measured at fair value less cost to sell at the point of harvest.

Spares are valued at lower of cost or NRV. Cost is determined on the weighted average cost basis. An allowance for obsolete and slow-moving items, if any, is estimated at each reporting date.

### 5.5. Investments in Associates and Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates or joint ventures are incorporated in these Consolidated Financial Statements using the equity method of accounting. Under the equity method, an investment in an associate or a joint venture is initially recognised in the Consolidated Statement of Financial Position at cost and adjusted thereafter to

recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that an associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of associate's or joint venture's identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the Consolidated Statement of Profit or Loss in the period in which the investment is acquired.

When a Group entity transacts with an associate or a joint venture of the Group, profits or losses resulting from the transactions with the associate or joint venture are recognised in the Group's Consolidated Financial Statements only to the extent of interests in the associate or joint venture that are not related to the Group.

## 5.6. Property, Plant and Equipment

Property, Plant and Equipment, including bearer plants, are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost comprises of expenditure that is directly attributable to the acquisition of the asset. Cost includes the reclassifications from equity of any gains or losses on qualifying cash flow hedges relating to purchases of Property, Plant and Equipment. Cost includes expenditures that are directly attributable to the acquisition / growing of the plant till its maturity. Any gain or loss on disposal of an item of Property, Plant and Equipment is recognised in the Consolidated Statement of Profit or Loss.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

The cost less estimated residual value is depreciated on a straight-line basis over the following estimated useful lives of the assets where depreciation is charged based on the expected use:

Buildings	5 – 40 years
Plant, Machinery and Equipment	2 – 20 years
Motor Vehicles	6 – 10 years
Bearer Plants	2 – 40 years

Land, Capital Work in Progress and Immature plants are not depreciated.

Capital work in progress at year end includes certain assets that have been acquired but are not ready for their intended use. These assets are transferred to relevant assets categories and are depreciated once they are available for their intended use.

The assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 5. SIGNIFICANT ACCOUNTING POLICIES continued

If significant parts of an item of property, plant and equipment have different useful lives then they are accounted for as separate items of property, plant and equipment.

#### 5.7. Long-term Prepayments

Long-term prepayments comprise of amounts paid to or paid on behalf of the Saudi Electric Company in prior periods for the commissioning and installation of exclusive power grids at the manufacturing sites and are amortised over the period of the respective agreements.

#### 5.8. Right-of-Use Assets and Lease Liabilities

The Group has recognised new assets and liabilities for its operating leases of various types of contracts including warehouse and depot facilities, accommodation/office rental premises, commercial vehicles etc. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

- i. Right-of-use assets are measured at cost comprising the following:
  - the amount of the initial measurement of lease liability;
  - any lease payments made at or before the commencement date less any lease incentives received;
  - any initial direct costs; and
  - restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation

- ii. Lease liabilities include the net present value of the following lease payments:
  - fixed payments (including in-substance fixed payments), less any lease incentives receivable;
  - variable lease payments that are based on an index or a rate;
  - amounts expected to be payable by the lessee under residual value guarantees;
  - the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
  - payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Profit or Loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items relating to office equipment.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. In determining the lease term,

the management generally considers certain factors including historical lease durations, significant leasehold improvements over the term of the lease that have significant economic benefit to the Group's operation, the importance of the leased asset to the Group's operation and whether alternatives are available for the Group and business disruption required to replace the leased asset.

## 5.9. Biological Assets

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

Where fair value cannot be measured reliably biological assets are stated at cost of purchase or cost of rearing or growing to the point of commercial production (termed as biological assets appreciation), less accumulated depreciation and accumulated impairment loss, if any. The costs of immature biological assets are determined by the cost of rearing or growing to their respective age. Immature biological assets are not depreciated. Biological assets are depreciated on a straight-line basis to their estimated residual values over periods as summarised below:

Dairy Herd	4 Lactation cycles
Poultry Flock – After Maturity	36 weeks

## 5.10. Intangible Assets and Goodwill

### Intangible Assets

Intangible assets other than goodwill are measured at cost, less accumulated amortisation and accumulated impairment losses, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives of 3- 10 years.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group and amount can be measured reliably.

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary.

### Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's CGU (or groups of CGU) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit (Also see note 5.15.2). Any impairment loss for goodwill is recognised directly in the Consolidated Statement of Profit or Loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.



# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 5. SIGNIFICANT ACCOUNTING POLICIES continued

#### 5.11. Provisions

A provision is recognised if, as a result of past events, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

#### 5.12. Zakat and Income Tax

Zakat is provided for in accordance with the Zakat, Tax and Customs Authority (“ZATCA”) regulations. Income tax for foreign entities is provided for in accordance with the relevant income tax regulations of the countries of incorporation. Adjustments arising from final zakat and income tax assessments are recorded in the period in which such assessments are made.

The income tax expense or credit for the period is the tax payable on the current period’s taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

#### 5.13. Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference and unused tax losses arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint venture. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

## 5.14. Financial Instruments

### 5.14.1. Non-Derivative Financial Instruments

#### a) Non-Derivative Financial Assets

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

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group 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 Group initially recognises financial assets on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises 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 Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group 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 Group 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 amortised cost. A gain or loss on a debt investment subsequently measured at amortised cost and not part of a hedging relationship is recognised in the Consolidated Statement of Profit or Loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

#### Financial Assets at FVOCI

The Group has elected to recognise changes in the fair value of investments in equity shares in OCI. These changes are accumulated within the 'other reserve' classified under equity. The Group may transfer this amount from other reserve to retained earnings when the relevant shares are derecognised.

Dividends from such investments continue to be recognised in the Consolidated Statement of Profit or Loss as other income when the Group's right to receive payments is established. Accumulated gains and losses on these financial assets are never recycled to the Consolidated Statement of Profit or Loss.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 5. SIGNIFICANT ACCOUNTING POLICIES continued

#### b) Non-Derivative Financial Liabilities

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

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount is presented in the Consolidated Statement of Financial Position when, and only when, the Group 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 Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities of the Group comprise of bank borrowings and trade and other payables.

#### 5.14.2. Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments including forward foreign exchange contracts, commission rate swaps and commodity derivatives are measured at fair value. All derivatives are carried at their fair value as assets where the fair value is positive and as liabilities where the fair value is negative. Any related transaction costs are recognised in the Consolidated Statement of Profit or Loss as incurred. Fair values are obtained by reference to quoted market prices, discounted cash flow models and pricing models, as appropriate.

Subsequent to initial recognition, any change in fair value is recognized on the basis of hedge accounting.

The Group designates its derivatives as hedging instruments in qualifying hedging relationships to manage exposures to interest rate, foreign currency, and commodity price risks, including exposures arising from highly probable forecast transactions and firm commitments. In order to manage particular risk, the Group applies hedge accounting for transactions that meet specific criteria.

In order to qualify for hedge accounting, the hedge should be expected to be highly effective i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis. Prospective testing is performed mainly through matching the critical terms of both hedge item and instrument.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in the Consolidated Statement of Other Comprehensive Income and accumulated in the hedging reserve shown within other reserves under equity. The ineffective portion, if material, is recognized in the Consolidated Statement of Profit or Loss, within other gains/(losses). In hedges of foreign currency contracts, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty. In hedges of interest rate swaps, ineffectiveness may arise if the credit value/debit value adjustment on the interest rate swaps which is not matched by the loan. In hedges of commodity purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated; and changes in the credit risk of the Group or the derivative counterparty.

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The amount accumulated in equity is reclassified to the Consolidated Statement of Profit or Loss in the period during which the hedged forecast cash flows affect profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to the Consolidated Statement of Profit or Loss.

The fair values of derivative financial instruments designated in hedge relationships, in shareholders' equity are disclosed in note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

## 5.15. Impairment

### 5.15.1. Non-Derivative Financial Assets

The Group assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortised cost and FVOCI.

For accounts receivables, the Group applies the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. Expected loss rates were derived from historical information of the Group 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.

### 5.15.2. Impairment of Non-Financial Assets

Non-financial assets (other than biological assets measured at fair value, inventories and deferred tax assets) are reviewed 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).

A CGU to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 5. SIGNIFICANT ACCOUNTING POLICIES continued

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Consolidated Statement of Profit or Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the Consolidated Statement of Profit or Loss.

#### 5.16. Employee Retirement Benefits

Employee Retirement benefits are payable to all employees employed under the terms and conditions of the Labor Laws applicable on the Company and its subsidiaries, on termination of their employment contracts.

The Group's obligation in respect of employee retirement benefits is calculated by estimating the amount of future benefits that employees have earned in current and prior periods and discounting that amount to arrive at present value.

Group sets the assumptions used in determining the key elements of the costs of meeting such future obligations. These assumptions are set after consultation with the Group's actuaries and include those used to determine regular service costs and the financing elements related to the liabilities. The calculation of employee retirement benefit liability is performed by a qualified actuary using the projected unit credit method.

Re-measurement of employee retirement benefit liability, which comprise of actuarial gains and losses are recognised immediately in the Consolidated Statement of Comprehensive Income. The Group determines interest expense on the employee retirement benefit liability for the period by applying the discount rate used to measure the employee retirement benefit liability at the beginning of the annual period, taking into account any change in the net employee retirement benefit liability during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to employee retirement benefits are recognised in the Consolidated Statement of Profit or Loss.

#### 5.17. Statutory Reserve

In accordance with Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to recognise a reserve comprising of 10% of its profit for the year until such reserve equals 30% of its share capital. This reserve is currently not distributable to the Shareholders.

#### 5.18. Sukuk

The Group classifies Sukuk issued as a financial liability or equity, in accordance with the substance of the contractual terms of the Sukuk. Sukuk having fixed maturity dates and fixed dates for payment of profit distribution is classified as a liability.

#### 5.19. Treasury Shares

Own equity instruments that are reacquired (treasury shares), for discharging obligations under Employee Equity Participation Programmes ("EPPP"), are recognised at cost and presented as a deduction from equity and are adjusted for any transaction costs, dividends and gains or losses on sale of such shares. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in retained earnings.

## 5.20. Share Based Payment Transactions

Employees of the Group receive remuneration in the form of equity settled share-based payments under the EEPP, whereby employees render services as consideration for the equity instruments (options or shares) granted under EEPP as disclosed in note 17.

The fair value of the employee services received in exchange for the grant of options or shares is recognised as an expense in the Consolidated Statement of Profit or Loss, together with a corresponding increase in other reserves, in equity, over the period during which the vesting conditions are fulfilled.

The Group has set up an economic hedge by purchasing Treasury Shares at inception of the EEPP. Accordingly, the Other Reserves (representing the cumulative expense arising from ESOP) is transferred into Retained Earnings upon expiry of the EEPP, whether or not the equity instruments vest to the employees.

The cumulative expense recognised for EEPP at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

When the terms of the EEPP are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction or is otherwise beneficial to the employee as measured at the date of the modification.

When the EEPP is terminated, it is treated as if the equity instruments vested on the date of termination, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the entity or the employee are not met. However, if a new EEPP is substituted for the terminated ESOP and designated as a replacement award on the date that it is granted, the terminated and new EEPP are treated as if they were a modification of the original EEPP, as described in the previous paragraph.

## 5.21. Conversion of Foreign Currency Transactions

Foreign currency transactions are converted and recorded in SAR at standard exchange rates which are periodically set to reflect average market rates or forward rates if the transactions were so covered. At the reporting date, monetary assets and liabilities denominated in foreign currencies are converted into SAR at the exchange rates ruling on such date or at the forward purchase rates if so covered. Any resulting exchange differences are charged or credited to the Consolidated Statement of Profit or Loss as appropriate.

As at the reporting date, the assets and liabilities of these subsidiaries are translated into SAR, at the rate of exchange ruling at the Consolidated Statement of Financial Position date and their Consolidated Statement of Profit or Loss are translated at the weighted average exchange rates for the year. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments in respect of these components of equity are recorded through Consolidated Statement of Other Comprehensive Income as a separate component of equity.

## 5.22. Revenue Recognition

The Group generates revenue from a number of product lines, these include:

- Dairy and Juice
- Bakery
- Poultry
- Other activities (horticulture and infant nutrition)

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 5. SIGNIFICANT ACCOUNTING POLICIES continued

Revenue is recognised when there is a contract with a customer for the transfer of dairy and other related products across various product categories and geographical regions.

Revenue is recognised in the Consolidated Statement of Profit or Loss when a performance obligation is satisfied, at the price allocated to that performance obligation. This is defined as the point in time when control of the products has been transferred to the customer, the amount of revenue can be measured reliably, and collection is probable. The transfer of control to customers takes place according to trade agreement terms.

Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates.

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 based on historical experience. Expected sales returns are netted off against revenue with the corresponding impact in 'trade and other payables' for cash sales and 'trade receivables' for credit sales.

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

No element of financing component is deemed present as the sales are made either on cash or on credit term consistent with market practice.

#### 5.23. Government Grants

The Group receives government grants on import of feeds for its biological assets. Government grants are initially recognized within other liabilities at fair value when there is reasonable assurance that it will be received, and the Group will comply with the conditions associated with the grant.

Government grants are recognized in the Consolidated Statement of Profit or Loss on a systematic basis over the periods in which the Group recognizes as expenses the related inventories which the grants are intended to compensate.

#### 5.24. Selling, Distribution, General and Administration Expenses

Selling, Distribution, General and Administration Expenses include direct and indirect costs not specifically part of Cost of Sales. Allocations between Cost of Sales and Selling, Distribution, General and Administration Expenses, when required, are made on a consistent basis.

#### 5.25. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are removed from the Consolidated Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The borrowings are classified as a current liability when the remaining maturity is less than 12 months.

## 5.26. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalised during idle periods.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in the Consolidated Statement of Other Comprehensive Income and released to the Consolidated Statement of Profit or Loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Consolidated Statement of Profit or Loss in the period in which they are incurred.

## 5.27. Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's relevant Business Heads' (Chief Operating Decision Makers) which in the Group's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's relevant Business Heads include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Group's operating segments are analysed and aggregated based on the nature of products and uniformity in the production processes.

## 6. USE OF JUDGEMENTS AND ESTIMATES

The preparation of these Consolidated Financial Statements, in conformity with IFRS as endorsed in the Saudi Arabia, requires the use of judgements, estimates and assumptions. Such estimates and assumptions may affect the balances reported for certain assets and liabilities as well as the disclosure of certain contingent assets and liabilities as at the Consolidated Statement of Financial Position date. Any estimates or assumptions affecting assets and liabilities may also affect the reported revenues and expenses for the same reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

### 6.1. Judgement

Information about the judgement made in applying the Group's accounting policy on biological assets with respect to dairy herd and poultry flock is given below;

The Group's dairy cow herd comprises both immature and mature livestock.



# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 6. USE OF JUDGEMENTS AND ESTIMATES continued

Immature livestock comprises dairy cows that are intended to be reared to maturity. These cows are held to produce milk or offspring but have not yet produced their first calf and begun milk production. Costs incurred in rearing immature livestock are capitalised to the statement of financial position. The directly attributable costs in bringing the asset to the location and condition necessary to be capable of operation include various components including but not limited to birth related charges, feed cost and labour charges.

Mature livestock includes dairy cows that have produced their first calf and begun milk production. Costs incurred in relation to mature livestock are recognised in the Consolidated Statement of Profit or Loss immediately as an expense.

IAS 41 "Agriculture" requires measurement at fair value less costs to sell from initial recognition of such biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. Management has concluded as follows on the fair value measurement hierarchies in the context of livestock valuation:

**Level 1** - there is no active market for dairy cows in the Saudi Arabia and therefore a level 1 valuation is not possible.

**Level 2** - there is no observable market data available and due to the significant differences in location, environment, associated costs, average yield per dairy animal, majority of distribution within the Saudi Arabia and distance to active markets means that a level 2 valuation is not possible.

**Level 3** -

- i) Discounted cash flow ("DCF") techniques (income or market approach) - the lack of a relevant market for unpasteurized milk or any other intermediate product requires that any DCF valuation technique would use overall revenue as a basis for any valuation and then eliminate costs and associated profit margin relating to pasteurization, manufacturing, packaging and sales and distribution so as to determine the net indirect cash inflows arising from the production of unpasteurized milk. Management considers that any fair value so derived would be clearly unreliable as the costs of the dairy herd operation are a relatively small part of the Group's overall activities and any imputed cash flows derived from such a valuation approach would be overly dependent on a large number of assumptions, many of which could not be derived from, or compared to, market assumptions or observed data.
- ii) Cost or current replacement cost - management considers that any replacement cost approach would need to incorporate the cost of replacing new-born calves. As discussed above, level 1 and 2 valuations for dairy animals are not possible.

As the dairy herd is currently accounted for at cost less accumulated depreciation and impairment losses, which excludes any costs for the purchase of new-born calves (as they are a necessary part of the lactation cycle), management believes that any depreciated replacement cost of existing nature and size (could it be so determined) would not be less than the current carrying value of the dairy herd.

**Poultry flock:** At cost less accumulated depreciation and impairment losses. IAS 41 "Agriculture" requires measurement at fair value less costs to sell from initial recognition of such biological assets up to the point of harvest, other than when fair value cannot be measured reliably on initial recognition. Given the relatively short life of the poultry flock (less than a year), such flocks are not subject to fair valuation exercise as the management believes that any differences between depreciated cost and fair value are not material.

**Determination of Control:** Management has considered the accounting treatment and the principles in IFRS 10 “Consolidated Financial Statements” and have determined that certain entities are controlled by Almarai. In determining the appropriate accounting treatment for these entities, management applied significant judgment.

If management’s judgments were to change, this would result in the deconsolidation of these entities and instead would be treated as a joint arrangement or associate. These entities currently have consolidated assets and liabilities impacting the Consolidated Statement Financial Position and Consolidated Statement of Comprehensive Income (refer note 19).

The following are the key considerations and judgements applied by management in concluding that Almarai has control over these entities:

- The relevant activities associated with those entities include the ability to prepare and approve the annual budget. As the Group can appoint the majority of the Board of directors on these entities, this gives the Group the ability to unilaterally approve annual business plans and as such has power over the relevant activities. The approval of the 5 year business plan is considered protective and not substantive.
- The Group can appoint the key management personnel of these entities such as the Chief Executive Officer and Chief Financial Officer, etc.

As such the Group has the power and the ability to affect the variable returns and control such entities.

## 6.2. Assumptions and estimation uncertainties

Assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments to the carrying amount of assets and liabilities are included below;

- a) **Goodwill - Annual impairment testing of goodwill:** Goodwill impairment tests are performed for the group of cash-generating units (“CGU”) to which goodwill is allocated. The group of CGU is defined based on certain acquisitions and CGU’s arising from those acquisitions. The structure and groups of CGU are assessed on an annual basis. The impairment test of goodwill is performed at least annually for each group of cash generating units to which goodwill is allocated. To determine the value in use, the discounted cash flow models are used.

The most important parameters in the impairment test include assumptions related to sales growth rate and pre-tax discount rates. Also refer to note 10 for sensitivity related to these assumptions for the respective CGU.

**Expected future free cash flows:** The projected free cash flows are based on current forecasts and targets set for five year period. These are determined at CGU level in the forecast and target planning process as well as based on external sources of information and industry-relevant observations such as macroeconomic indicators and market conditions. All applied assumptions are challenged through the forecast and target planning process based on management’s best estimates and expectations, which are judgmental by nature. They include expectations regarding revenue growth, EBIT margins and capital expenditure.

- b) **Measurement of employee retirement benefits liability - key actuarial assumptions:** Estimates are applied when setting actuarial assumptions such as the discount rate, expected future salary increases, inflation and mortality. The actuarial assumptions vary from country to country, based on national economic and social conditions. They are set using available market data and compared with benchmarks to ensure consistency on an annual basis (Refer note 21 for sensitivity related to employee retirement benefits liability).
- c) **Dairy herd - Average lactation cycle – Refer note 28.1**

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 7. PROPERTY, PLANT AND EQUIPMENT

	Bearer Plant						
	Land and Buildings SAR '000	Plant, Machinery and Equipment SAR '000	Motor Vehicles SAR '000	Capital Work-in Progress* SAR '000	Mature Plantations SAR '000	Immature Plantations SAR '000	Total SAR '000
<b>Cost</b>							
At 1 January 2021	14,541,352	15,995,588	2,884,542	472,216	232,080	24,290	34,150,068
Additions during the year	-	-	-	1,070,351	-	29,813	1,100,164
Purchase of Manufacturing Facility (Refer note 1)	159,977	59,207	185	-	-	-	219,369
Transfers during the year	76,675	297,268	144,489	(439,095)	25,335	(25,335)	79,337
Disposals during the year	(2,899)	(130,963)	(119,775)	-	(34,910)	-	(288,547)
Currency Translation Difference	2,112	3,096	545	197	43	15	6,008
<b>At 31 December 2021</b>	<b>14,777,217</b>	<b>16,224,196</b>	<b>2,909,986</b>	<b>1,103,669</b>	<b>222,548</b>	<b>28,783</b>	<b>35,266,399</b>
<b>Accumulated Depreciation</b>							
At 1 January 2021	3,005,479	8,180,796	1,664,133	-	186,756	-	13,037,164
Depreciation for the year	391,244	1,005,047	179,402	-	32,876	-	1,608,569
Disposals during the year	(2,033)	(120,200)	(97,321)	-	(34,910)	-	(254,464)
Currency Translation Difference	281	1,037	344	-	20	-	1,682
<b>At 31 December 2021</b>	<b>3,394,971</b>	<b>9,066,680</b>	<b>1,746,558</b>	<b>-</b>	<b>184,742</b>	<b>-</b>	<b>14,392,951</b>
<b>Net Book Value</b>							
<b>At 31 December 2021</b>	<b>11,382,246</b>	<b>7,157,516</b>	<b>1,163,428</b>	<b>1,103,669</b>	<b>37,806</b>	<b>28,783</b>	<b>20,873,448</b>

\*Capital work-in-progress as at 31 December 2021 primarily represents cost incurred on updates of existing production facilities including automation of integrated warehouses which is expected to be completed during 2022. Also refer to note 34.3.

	Bearer Plant						
	Land and Buildings SAR '000	Plant, Machinery and Equipment SAR '000	Motor Vehicles SAR '000	Capital Work-in Progress* SAR '000	Mature Plantations SAR '000	Immature Plantations SAR '000	Total SAR '000
<b>Cost</b>							
At 1 January 2020	14,293,506	15,636,198	2,896,852	1,029,385	214,365	32,636	34,102,942
Additions during the year	-	-	-	795,110	-	32,827	827,937
Transfers during the year	339,057	804,543	209,003	(1,352,603)	41,177	(41,177)	-
Disposals during the year	(99,944)	(459,007)	(221,909)	-	(23,461)	-	(804,321)
Currency Translation Difference	8,733	13,854	596	324	(1)	4	23,510
<b>At 31 December 2020</b>	<b>14,541,352</b>	<b>15,995,588</b>	<b>2,884,542</b>	<b>472,216</b>	<b>232,080</b>	<b>24,290</b>	<b>34,150,068</b>
<b>Accumulated Depreciation</b>							
At 1 January 2020	2,737,758	7,564,920	1,671,334	-	177,532	-	12,151,544
Depreciation for the year	358,852	1,035,671	173,200	-	32,685	-	1,600,408
Disposals during the year	(91,413)	(424,653)	(180,765)	-	(23,461)	-	(720,292)
Currency Translation Difference	282	4,858	364	-	-	-	5,504
<b>At 31 December 2020</b>	<b>3,005,479</b>	<b>8,180,796</b>	<b>1,664,133</b>	<b>-</b>	<b>186,756</b>	<b>-</b>	<b>13,037,164</b>
<b>Net Book Value</b>							
<b>At 31 December 2020</b>	<b>11,535,873</b>	<b>7,814,792</b>	<b>1,220,409</b>	<b>472,216</b>	<b>45,324</b>	<b>24,290</b>	<b>21,112,904</b>

7.1. Capital Work-in-Progress includes SAR 12.3 million of borrowing costs capitalised during the year (2020: SAR 4.2 million). Average interest rate on borrowing as of 31 December 2021 is 2.9% per annum (2020: 3.1%).

7.2. Refer note 20 for information on property, plant and equipment pledged as security by the Group.

## 8. LONG-TERM PREPAYMENTS

Long-term Prepayments and amortization balance are as follows:

	2021	2020
	SAR '000	SAR '000
Opening Balance	606,939	625,490
Addition	-	2,208
Amortisation	(27,262)	(20,759)
Closing Balance	579,677	606,939

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 9. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

Right-of-use assets - class wise depreciation charge and balances are as follows:

	31 December 2021		31 December 2020	
	Depreciation SAR '000	Balance SAR '000	Depreciation SAR '000	Balance SAR '000
Land	27,921	282,459	27,706	232,379
Buildings	71,167	165,271	76,963	212,263
Vehicles	2,210	846	2,404	10,561
Equipments	50	185	75	235
Plant and Machinery	1,389	15,943	1,357	14,831
<b>Total Right-of-Use Assets</b>	<b>102,737</b>	<b>464,704</b>	<b>108,505</b>	<b>470,269</b>

Additions to Right-of-Use assets during the year ended 31 December 2021 are SAR 93.5 million (31 December 2020: SAR 94.1 million).

Lease liabilities as at year end are as follows:

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Non-Current portion of Lease Liabilities	360,434	330,980
Current portion of Lease Liabilities	80,710	94,509
<b>Total Lease Liabilities</b>	<b>441,144</b>	<b>425,489</b>

The total interest expense on lease liabilities recognized during the year ended 31 December 2021 is SAR 16.0 million (2020: SAR 18.0 million).

Expenses relating to short-term and low-value leases are SAR 31.3 million and SAR 2.8 million, respectively (2020: SAR 24.7 million and SAR 5.0 million, respectively).

The total cash outflow for leases in 2021 was SAR 101.1 million (2020: SAR 125.2 million).

### 10. INTANGIBLE ASSETS AND GOODWILL

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Software Licenses (Refer note 10.1)	186,520	275,313
Goodwill (Refer note 10.2)	942,585	942,329
	<b>1,129,105</b>	<b>1,217,642</b>

## 10.1 Software Licenses

	Software Licenses	Software Licenses in Progress*	Total
	SAR '000	SAR '000	SAR '000
<b>Cost</b>			
At 1 January 2021	417,845	125,230	543,075
Additions during the year	-	57,175	57,175
Transfers during the year	80,750	(160,087)	(79,337)
Disposals during the year	(239)	-	(239)
Currency Translation Difference	24	-	24
<b>At 31 December 2021</b>	<b>498,380</b>	<b>22,318</b>	<b>520,698</b>
<b>Accumulated Amortization</b>			
At 1 January 2021	267,762	-	267,762
Amortisation for the year	66,476	-	66,476
Disposals during the year	(73)	-	(73)
Currency Translation Difference	13	-	13
<b>At 31 December 2021</b>	<b>334,178</b>	<b>-</b>	<b>334,178</b>
<b>Net Book Value</b>			
<b>At 31 December 2021</b>	<b>164,202</b>	<b>22,318</b>	<b>186,520</b>
<b>Cost</b>			
At 1 January 2020	363,783	35,408	399,191
Additions during the year	-	144,971	144,971
Transfers during the year	55,149	(55,149)	-
Disposals during the year	(1,290)	-	(1,290)
Currency Translation Difference	203	-	203
<b>At 31 December 2020</b>	<b>417,845</b>	<b>125,230</b>	<b>543,075</b>
<b>Accumulated Amortization</b>			
At 1 January 2020	211,791	-	211,791
Amortisation for the year	56,681	-	56,681
Disposals during the year	(802)	-	(802)
Currency Translation Difference	92	-	92
<b>At 31 December 2020</b>	<b>267,762</b>	<b>-</b>	<b>267,762</b>
<b>Net Book Value</b>			
<b>At 31 December 2020</b>	<b>150,083</b>	<b>125,230</b>	<b>275,313</b>

Software licenses in progress include certain software under installation. This majorly includes externally acquired software and licenses.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 10. INTANGIBLE ASSETS AND GOODWILL continued

#### 10.2 Goodwill

The goodwill relates to the acquisition of Western Bakeries Company Limited (WB) in 2007, Hail Agricultural Development Company (HADCO) in 2009 and International Dairy and Juice Limited (IDJ) in 2012.

	WB	HADCO	IDJ	Total
	SAR '000	SAR '000	SAR '000	SAR '000
<b>Cost</b>				
At 1 January 2021	548,636	244,832	477,043	1,270,511
Currency Translation Difference	-	-	256	256
<b>At 31 December 2021</b>	<b>548,636</b>	<b>244,832</b>	<b>477,299</b>	<b>1,270,767</b>
<b>Accumulated Impairment</b>				
At 1 January 2021	-	-	328,182	328,182
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>328,182</b>	<b>328,182</b>
<b>Net Carrying Value</b>				
<b>At 31 December 2021</b>	<b>548,636</b>	<b>244,832</b>	<b>149,117</b>	<b>942,585</b>
<b>Cost</b>				
At 1 January 2020	548,636	244,832	475,847	1,269,315
Currency Translation Difference	-	-	1,196	1,196
<b>At 31 December 2020</b>	<b>548,636</b>	<b>244,832</b>	<b>477,043</b>	<b>1,270,511</b>
<b>Accumulated Impairment</b>				
At 1 January 2020	-	-	328,182	328,182
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>328,182</b>	<b>328,182</b>
<b>Net Carrying Value</b>				
<b>At 31 December 2020</b>	<b>548,636</b>	<b>244,832</b>	<b>148,861</b>	<b>942,329</b>

WB forms part of the Bakery Products reporting segment, HADCO represents Poultry reporting segment while IDJ falls under the Dairy and Juice reporting segment having its CGU in Jordan and Egypt by the name of Teeba and Beyti, respectively.

Goodwill is subject to annual impairment testing. Assets are tested for impairment by comparing the carrying amount of each CGU to the recoverable amount which has been determined based on a value in use calculation using cash flow projections based on financial forecasts approved by senior management covering a five-year period. The pre-tax discount rate is applied to cash flow projections for respective CGUs that varies in the range of 9.0% to 13.0%. Terminal value is calculated using Gordon Growth Model for the final year of the forecast period.

The calculation of value in use is most sensitive to the assumptions on sales growth rate and pre-tax discount rate.

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determine values
Sales growth rate	Average annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Pre-tax discount rate	A discount rate, namely weighted average cost of capital (WACC), is applied for specific business areas based on assumptions regarding interest rates, tax rates and risk premiums and is recalculated to a before-tax rate ('Pre-tax discount rate').

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Assumptions used for value-in-use calculations to which the recoverable amount is most sensitive were:

#### **Sensitivity to Changes in Assumptions – Western Bakeries Company Limited**

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

##### **(a) Sales Growth Assumption**

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 5.2%. If all other assumptions kept the same, a reduction of this growth rate by 19.0% would give a value in use equal to the current carrying amount.

##### **(b) Pre-tax discount rate**

The Pre-tax discount rate in the forecast period has been estimated to be 9.0%. If all other assumptions kept the same, a reduction of this discount rate by 26.0% would give a value in use equal to the current carrying amount.

#### **Sensitivity to Changes in Assumptions – HADCO**

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

##### **(a) Sales Growth Assumption**

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 2.8%. Keeping all other assumptions same, a reduction in growth rate by 75.0% would give a value in use equal to the current carrying amount.

##### **(b) Pre-tax discount rate**

Changes in the value in use calculations for HADCO are not sensitive to material changes in pre-tax discount rate.

#### **Sensitivity to Changes in Assumptions – IDJ**

With regard to the assessment of the value in use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are discussed below.

##### **(a) Sales Growth Assumption**

The sales growth in the forecast period has been estimated to be a compound annual growth rate of 10.0%. If all other assumptions kept the same, a reduction of this growth rate by 17.0% would give a value in use equal to the current carrying amount.

##### **(b) Pre-tax discount rate**

The Pre-tax discount rate in the forecast period has been estimated to be 13.0%. If all other assumptions kept the same, a reduction of this discount rate by 16.0% would give a value in use equal to the current carrying amount.



# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 11. BIOLOGICAL ASSETS

The Group's biological assets consist of dairy herd, poultry birds and plantations.

Biological assets owned by the Group are measured as follows:

- **Dairy Herd and Poultry Flock:** At cost less accumulated depreciation and impairment losses, if any (refer note 6.1).
- **Crops:** The crops that have reached a considerable degree of biological development have been stated at the present value of the net cash flows that will be provided by such crops in progress, estimated on the basis of the degree of biological development and the risks related to the completion of the development process of crops sown.

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>Cost</b>					
At 1 January 2021	1,884,914	159,281	67,871	-	2,112,066
Additions during the year*	687,699	134,396	1,352,788	-	2,174,883
Transfers to inventories	-	-	(1,325,836)	-	(1,325,836)
Disposals during the year	(614,314)	(90,541)	(1,680)	-	(706,535)
Currency Translation Difference	18	-	-	-	18
<b>At 31 December 2021</b>	<b>1,958,317</b>	<b>203,136</b>	<b>93,143</b>	<b>-</b>	<b>2,254,596</b>
<b>Accumulated Depreciation</b>					
At 1 January 2021	555,732	96,384	-	-	652,116
Depreciation for the year	270,780	89,461	-	-	360,241
Disposals during the year	(241,248)	(78,747)	-	-	(319,995)
Currency Translation Difference	7	-	-	-	7
<b>At 31 December 2021</b>	<b>585,271</b>	<b>107,098</b>	<b>-</b>	<b>-</b>	<b>692,369</b>
<b>Net Book Value</b>					
<b>At 31 December 2021</b>	<b>1,373,046</b>	<b>96,038</b>	<b>93,143</b>	<b>-</b>	<b>1,562,227</b>
<b>Measured at Fair Value</b>					
At 1 January 2021	-	-	-	22,324	22,324
Additions during the year	-	-	-	626,197	626,197
Transfers to inventories	-	-	-	(624,844)	(624,844)
Gain arising from changes in Fair Value less Cost to Sell	-	-	-	1,142	1,142
Currency Translation Difference	-	-	-	18	18
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,837</b>	<b>24,837</b>
<b>Carrying Amount</b>					
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,837</b>	<b>24,837</b>
<b>Biological Assets Classification:</b>					
<b>At 31 December 2021</b>					
Biological assets classified as Non-Current Assets	1,373,046	96,038	-	-	1,469,084
Biological assets classified as Current Assets	-	-	93,143	24,837	117,980
	<b>1,373,046</b>	<b>96,038</b>	<b>93,143</b>	<b>24,837</b>	<b>1,587,064</b>

\*Additions include Biological Assets appreciation amounting to SAR 687.6 million.

	Dairy Herd	Parent Poultry Birds	Other Poultry	Crops	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>Cost</b>					
At 1 January 2020	1,823,919	169,474	66,487	-	2,059,880
Additions during the year*	644,479	119,926	1,313,762	-	2,078,167
Transfers to inventories	-	-	(1,312,378)	-	(1,312,378)
Disposals during the year	(583,492)	(130,119)	-	-	(713,611)
Currency Translation Difference	8	-	-	-	8
<b>At 31 December 2020</b>	<b>1,884,914</b>	<b>159,281</b>	<b>67,871</b>	<b>-</b>	<b>2,112,066</b>
<b>Accumulated Depreciation</b>					
At 1 January 2020	532,040	80,085	-	-	612,125
Depreciation for the year	245,638	103,540	-	-	349,178
Disposals during the year	(221,948)	(87,241)	-	-	(309,189)
Currency Translation Difference	2	-	-	-	2
<b>At 31 December 2020</b>	<b>555,732</b>	<b>96,384</b>	<b>-</b>	<b>-</b>	<b>652,116</b>
<b>Net Book Value</b>					
<b>At 31 December 2020</b>	<b>1,329,182</b>	<b>62,897</b>	<b>67,871</b>	<b>-</b>	<b>1,459,950</b>
<b>Measured at Fair Value</b>					
At 1 January 2020	-	-	-	29,975	29,975
Additions during the year	-	-	-	336,274	336,274
Transfers to inventories	-	-	-	(336,993)	(336,993)
"Loss arising from changes in Fair Value less Cost to Sell"	-	-	-	(6,936)	(6,936)
Currency Translation Difference	-	-	-	4	4
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,324</b>	<b>22,324</b>
<b>Carrying Amount</b>					
<b>At 31 December 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,324</b>	<b>22,324</b>
<b>Biological Assets Classification:</b>					
<b>At 31 December 2020</b>					
"Biological assets classified as Non-Current Assets"	1,329,182	62,897	-	-	1,392,079
"Biological assets classified as Current Assets"	-	-	67,871	22,324	90,195
	<b>1,329,182</b>	<b>62,897</b>	<b>67,871</b>	<b>22,324</b>	<b>1,482,274</b>

\*Additions include Biological Assets appreciation amounting to SAR 644.4 million.

Dairy Herd represents cows held for milk production.

Parent Poultry Birds are held for the purpose of laying eggs which are hatched into Broiler Birds (Other Poultry).

Crops are mainly held for the purpose of serving as animal feed which are consumed internally.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 11. BIOLOGICAL ASSETS continued

#### Agricultural Risk Management:

The Group is subject to following risks relating to its agricultural activities:

#### a) Failure to secure long-term production of fodder

Fodder production has been strategically shifted overseas/outside Saudi Arabia as per domestic law and regulations. Almarai has developed an extensive supply chain network in Romania, North and South America, covering both own and sourced fodder production, to ensure continuous supply of fodder for its dairy herd. Saudi Arabia's farms also carry a large Inventory of forage to ensure no disruption of supply.

#### b) Large scale loss of biological assets due to disease/pandemic

Strong bio-security procedures, livestock located on multiple sites to reduce risk, disease control and vaccination program in place along with screening and quarantine of incoming animals. Professional vet group within the farming division ensure large scale losses do not occur.

#### c) Severe operational disruption (Fire, Flood, etc.)

Almarai is prepared to respond to operational disruptions to minimize losses and remain viable. An effective Business Continuity Plan is continually reviewed and adapted for the changing nature of operational disruptions. Risk assessments are continually performed to identify possible events that could cause significant disruptions. Risk of business disruption from flood has been removed through farm design. Farm buildings are constructed in areas that do not have flash floods and also elevated above ground level.

### 12. INVESTMENTS

The investments comprise the following:

Nature	Principal activity	Place of Incorporation	31 December 2021	31 December 2020	31 December 2021	31 December 2020	
			%	%	SAR '000	SAR '000	
<b>Investments in Associate and Joint Venture</b>							
Almarai Company W.L.L.	Joint Venture	Dormant	Qatar	50.0%	50.0%	204	204
Maria Fondomonte S.A. (Refer note 12.1)	Associate	Source, Process and Sale of Forage Supplies	Romania	49.0%	49.0%	88,545	89,419
						88,749	89,623

	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	%	%	SAR '000	SAR '000
<b>Equity Investment (Refer note 12.2 and 12.3)</b>				
Mobile Telecommunications Company Saudi Arabia - ("Zain")	0.4%	1.1%	46,894	129,734

12.1. Movement in the investment in associate is as follows:

	2021	2020
	SAR '000	SAR '000
Opening balance	89,419	87,825
Share of Results for the year	(941)	1,405
Currency Translation Difference	67	189
Closing balance	88,545	89,419

12.2. Movement in equity investment is as follows:

	2021	2020
	SAR '000	SAR '000
Opening balance	129,734	145,684
Change in Fair Value of Equity Investment through FVOCI	(1,902)	(15,950)
Equity Investment disposed during the year	(80,938)	-
Closing balance	46,894	129,734

12.3. During the year ended 31 December 2021, the Group sold 5.6 million of its shares in Zain for cash consideration of SAR 80.9 million. The remaining equity investment of 3.9 million shares in Zain is measured at fair value based on quoted market price available on the Saudi Exchange ("Tadawul").

12.4. On 23 March 2021, the pledge on Zain shares in connection with a loan securitization carried out in prior periods from Bank Saudi Fransi to Zain was released.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 13. INVENTORIES

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Raw Materials	3,450,070	3,830,933
Finished Goods	540,291	542,838
Spares	575,809	588,549
Work in Progress	205,865	167,788
Total Inventories	4,772,035	5,130,108
Allowance for Slow Moving Inventories (Refer note 13.1)	(418,439)	(424,744)
Total	4,353,596	4,705,364

#### 13.1. Movement in the allowance for slow moving inventories:

	2021	2020
	SAR '000	SAR '000
Opening balance	424,744	392,074
Allowance made during the year	4,525	61,570
Written off during the year	(10,830)	(28,900)
Closing balance	418,439	424,744

#### 13.2. Allowance for slow moving inventories is based on nature of inventories, ageing profile, their expiry and sales expectation based on historic trends and other qualitative factors.

## 14. TRADE RECEIVABLES, PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Trade Receivables - Third Parties	1,311,683	1,114,821
- Related Parties (Refer Note 35)	230,823	276,782
	1,542,506	1,391,603
Less: Allowance for impairment of trade receivables (Refer note 37.2)	(138,738)	(115,387)
Net Trade Receivables	1,403,768	1,276,216
Prepayments	411,193	393,393
Government Grants	97,658	159,486
Other Receivables	78,586	107,246
	1,991,205	1,936,341
<b>Ageing of Trade Receivables</b>		
Up to 2 months	1,220,049	1,185,506
2 - 3 months	96,443	83,242
More than 3 months	226,014	122,855
	1,542,506	1,391,603

14.1. Movement in allowance for impairment of trade receivables is as follows:

	2021	2020
	SAR '000	SAR '000
At the beginning of the year	115,387	91,510
Allowance made during the year (Refer note 14.3)	23,351	23,877
At the end of the year	138,738	115,387

14.2. Trade receivables disclosed above are classified as financial assets at amortised cost.

14.3. It includes SAR 5.7 million trade receivables written off during the year (2020: SAR 1.1 million). Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

14.4. The credit terms of the trade receivables vary across the business segments of the Group and therefore any significant change in product-mix also affects the ageing profile of trade receivables accordingly.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 15. CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Cash at Bank - Current accounts	536,189	469,428
Cash at Bank - Deposits (Refer note 15.1)	919	5,808
Cash in Hand	43,805	28,274
	<b>580,913</b>	<b>503,510</b>

**15.1.** The average rate on bank deposits during 2021 is 0.49% (2020: 0.45%) per annum with an average maturity of less than a month.

### 16. SHARE CAPITAL

The Company's share capital at 31 December 2021 amounted to SAR 10,000 million (2020: SAR 10,000 million), consisting of 1,000 million (2020: 1,000 million) fully paid and issued shares of SAR 10 each.

### 17. EMPLOYEE EQUITY PARTICIPATION PROGRAMS

#### 17.1 Employee Stock Option Program ("ESOP"):

The Company has offered certain employees (the "Eligible Employees") the option (the "Option") for equity ownership (treasury shares) opportunities and performance-based incentives which will result in more alignment between the interest of both shareholders and these employees. The vesting of the Option is dependent on meeting performance targets (such as earnings per share) set by the Company along with the required period of stay in service by the Eligible Employees. The exercise of the Option is contingent upon the shares of the Company continuing to be listed on the Tadawul.

Treasury shares that have not been granted to Eligible Employees in the reporting period for which those were earmarked shall carry over to the next reporting period.

In the event of a capital increase, share split or dividend distribution (in the form of shares), the number of shares and the exercise price subject to the Option will be adjusted accordingly.

The number of share options and the exercise price has been retrospectively adjusted for the prior period to reflect the effect of the bonus share issue.

The ESOP 2017 was granted in Muharram 1439 A.H. (February 2017). The number of shares shall not exceed 4,125,000 shares.

The ESOP 2018 was granted in Muharram 1440 A.H. (September 2018). The number of shares shall not exceed 4,000,000 shares.

The ESOP 2019 was granted in Dhul-Hijjah 1440 A.H. (August 2019). The number of shares shall not exceed 4,500,000 shares.

The ESOP 2020 was granted in Rajab 1441 A.H. (March 2020). The number of shares shall not exceed 4,100,000 shares.

The fair value per Option is estimated at the grant date using the Black Scholes Merton pricing model, taking into account the terms and conditions upon which the share options were granted.

	ESOP	ESOP	ESOP	ESOP	ESOP
	2016	2017	2018	2019	2020
Input to the Model;					
Dividend Yield (%)	2.2%	1.8%	1.4%	1.5%	1.7%
Expected Volatility (%)	33.2%	15.0%	19.1%	22.9%	23.1%
Risk Free Interest Rate (%)	5.0%	5.0%	3.0%	3.0%	2.1%
Contractual Life of Share Options (Years)	2.8	3.0	2.4	2.5	2.9
Share Price (SAR) at Grant Date	52.5	55.6	49.2	51.9	37.0
Exercise Price (SAR) at Grant Date	45.0	46.0	55.0	55.0	50.0
Fair Value per Option	15.7	13.9	4.1	6.7	2.1
Exercise Price (SAR) after bonus split	36.0	46.0	55.0	55.0	50.0
Remaining Contractual Life (Years)	-	-	0.4	1.6	2.1
Weighted Average Share Price during the year	44.4	58.8	53.2	52.6	51.3

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the Options is indicative of future trends, which may also not necessarily be the actual outcome.



# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 17. EMPLOYEE EQUITY PARTICIPATION PROGRAMS continued

The following table sets out the number of the, and movements in, ESOP share options during the year:

	2021	2020
At the beginning of the year	11,263,069	10,838,058
Granted during the year	-	4,033,000
Settled during the year	(517,992)	(2,125,989)
Forfeited during the year	(745,077)	(1,482,000)
At the end of the year	10,000,000	11,263,069

#### 17.2 Employee Share Plan ("ESP"):

Under the ESP, the equity instruments (the shares) are granted to the eligible employees for equity ownership (treasury shares) under the same terms and conditions as mentioned above for ESOP. The fair value i.e., SAR 46.75 per award is determined using the market price of the Company's share at the grant date.

The ESP 2021 was granted in Rabi Al-Akhar 1443 A.H. (November 2021). The number of shares shall not exceed 750,000 shares.

The following table sets out the number of the, and movements in, ESP during the year:

	2021
At the beginning of the year	-
Granted during the year	750,000
At the end of the year	750,000

17.3 The following table shows movement of treasury shares acquired / settled during the year:

	2021	2020
	SAR '000	SAR '000
At the beginning of the year	906,594	770,740
Acquired during the year	-	250,461
Disposed off on exercise of options	(31,437)	(114,607)
At the end of the year	875,157	906,594

## 18. OTHER RESERVES

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Hedging Reserve	43,027	(46,160)
Currency Translation Reserve	560,705	565,245
Others (Refer note 18.1)	18,657	(75,214)
Net Debit Balance	622,389	443,871

18.1. Others include movement for balances related to equity investment SAR 1.9 million, purchase of additional stake in MFI SAR 102.7 million, share based payment expenses SAR 20.4 million and settlement of treasury shares SAR 8.7 million.

## 19. NON-CONTROLLING INTERESTS

Below summarized aggregate financial information substantially relates to a subsidiary of the Group for which critical judgment relating to the determination of control has been disclosed in note 6.1. The summarized financial information below represents amounts before intragroup eliminations.

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Non-current assets	1,726,087	1,782,382
Current assets	874,168	671,106
Non-current liabilities	563,362	580,692
Current liabilities	801,049	630,433
Equity attributable to owners of the Company	1,235,844	1,242,363
Non-Controlling Interests	498,919	546,771
Revenue	3,009,037	2,545,783
Expenses	(2,920,297)	(2,627,113)
Loss for the year	88,740	(81,330)
Net Profit / (Loss) attributable to:		
Owners of the Company	72,847	(32,525)
Non-Controlling Interests	15,893	(48,805)
Total Comprehensive Income / (Loss) attributable to:		
Owners of the Company	73,602	(21,174)
Non-Controlling Interests	16,916	(42,371)
Total Comprehensive Income / (Loss) for the year	90,518	(63,545)

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 20. LOANS AND BORROWINGS

	Notes	31 December 2021	31 December 2020
		SAR '000	SAR '000
Islamic Banking Facilities (Murabaha)	20.1	3,892,358	4,416,610
Saudi Industrial Development Fund	20.2	1,417,673	2,421,231
Banking Facilities of Non-GCC Subsidiaries	20.3	397,534	358,541
Supranational	20.4	368,683	272,714
Agricultural Development Fund	20.5	122,250	142,828
		6,198,498	7,611,924
Sukuk	20.6	1,608,861	1,608,575
International Sukuk	20.6	1,896,479	1,894,469
		9,703,838	11,114,968
Short Term Loans		135,857	55,436
Current Portion of Long Term Loans		2,495,741	970,577
<b>Loans - Current Liabilities</b>		<b>2,631,598</b>	<b>1,026,013</b>
<b>Loans - Non-Current Liabilities</b>		<b>7,072,240</b>	<b>10,088,955</b>
		<b>9,703,838</b>	<b>11,114,968</b>

**20.1.** The borrowings under Islamic banking facilities (Murabaha) are secured by promissory notes given by the Group and are denominated in SAR. The Islamic banking facilities (Murabaha) with a maturity period of less than two years are predominantly of a revolving nature. During the year ended 31 December 2021, the Group did not enter into new Islamic Banking facilities (2020: Nil). As at 31 December 2021, SAR 5,631.4 million Islamic banking facilities (Murabaha) were unutilised and available for drawdown with maturities predominantly greater than three years (2020: SAR 5,435.0 million).

**20.2.** The borrowings of the Group from the Saudi Industrial Development Fund ("SIDF"), denominated in SAR, are secured by a mortgage on land, building, plant and machineries equivalent to the outstanding borrowings. As at 31 December 2021, the Group had no unutilised SIDF facilities available for drawdown (2020: Nil). Assets held as collateral are subject to restriction of disposal until the loan is settled or the disposal is approved by SIDF.

**20.3.** These banking facilities of Non-GCC subsidiaries represent foreign currency denominated borrowings, including USD, EGP and JOD from foreign banking and developing institutions, secured by guarantees provided by the shareholders of the Parent Company in proportion to their respective shareholdings. As at 31 December 2021, SAR equivalent 320.5 million (2020: SAR 451.9 million) facilities were unutilised and available for drawdown.

**20.4.** The borrowings granted by Supranational (“IFC” - Member of World Bank Group and “EBRD” - European Bank for Reconstruction and Development) are in USD, secured by promissory notes given by the Group. As at 31 December 2021, the Group had SAR 513.9 million of unutilised facility available for drawdown (2020: SAR 656.7 million).

**20.5.** The borrowing from Agricultural Development Fund (“ADF”), denominated in SAR, is secured by a mortgage on land, building, plant and machineries equivalent to the outstanding borrowings. As at 31 December 2021, the Group had no unutilised ADF facilities available (2020: Nil). Assets mortgaged are subject to the restriction of disposal until the loan is settled or the disposal is approved by ADF.

**20.6.** On 19 Jumada Awal 1434 A.H. (31 March 2013), the Company issued its second Sukuk - Series II amounting to SAR 787.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk was redeemed at par on its date of maturity i.e. 7 Shabaan 1441 A.H. (31 March 2020).

On 3 Dhul Hijja 1436 A.H. (16 September 2015), the Company issued its third Sukuk amounting to SAR 1,600.0 million at a par value of SAR 1.0 million each without discount or premium. The Sukuk issuance bears a return based on SIBOR plus a pre-determined margin payable semi-annually in arrears. The Sukuk will be redeemed at par on its date of maturity i.e. 20 Safar 1444 A.H. (16 September 2022).

The terms of the Sukuk entitle the Company to commingle its own assets with the Sukuk assets. Sukuk assets comprise the Sukukholders’ share in the Mudaraba assets and the Sukukholders’ interest in the Murabaha transactions, together with any amounts standing to the credit of the Sukuk account and the reserve retained by the Company from the Sukuk account.

On 28 Jumada Al-Akhirah 1440 A.H. (5 March 2019), the Group issued its first International Sukuk – Series I amounting to USD 500.0 million out of USD 2000.0 million Euro Medium Term Note Programme at a par value of USD 0.2 million each. The International Sukuk Issuance bears a return of 4.3% per annum payable semi-annually in arrears. The International Sukuk will be redeemed at par on its date of maturity i.e. 24 Shaban 1445 A.H. (5 March 2024).

**20.7.** The loans contain certain covenants. A future breach of covenants may lead to renegotiation. The covenants are monitored on a monthly basis by management, in case of potential breach, actions are taken by management to ensure compliance. During 2021, there has not been any non-compliance observed for any of the covenants.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 21. EMPLOYEE RETIREMENT BENEFITS

	2021	2020
	SAR '000	SAR '000
Opening Balance	909,353	826,399
<b>Consolidated Statement of Profit or Loss</b>		
Current Service Cost	101,197	95,224
Interest Cost	15,918	23,861
<b>Consolidated Statement of Comprehensive Income</b>		
Actuarial Loss	4,929	25,459
<b>Cash Movements:</b>		
Benefits paid	(79,570)	(61,590)
Closing Balance	951,827	909,353

		2021	2020
		SAR '000	SAR '000
<b>Sensitivity in Employee Retirement Benefits Liability</b>			
Salary Inflation	1% Decrease	902,909	876,679
	Base	951,827	909,353
	1% Increase	1,006,789	946,646
Discount Rate	1% Decrease	1,019,859	978,865
	Base	951,827	909,353
	1% Increase	892,560	849,585

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the employee retirement benefits to significant actuarial assumptions, the same method (present value of the employee retirement benefits calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the employee retirement benefits recognised in the Consolidated Statement of Financial Position.

### Demographic Assumptions

	2021	2020
	SAR '000	SAR '000
<b>GCC employees</b>		
Number of Employees	34,670	36,869
Weighted average age of employees (years)	38	34
Weighted average years of past service	7	6

Weighted average duration of the employee retirement benefit liability is 6.7 years.

Country	Gross Discount Rate		Salary Growth Rate	
	2021	2020	2021	2020
Saudi Arabia	2.2%	1.7%	2.2%	1.7%
United Arab Emirates	2.2%	1.5%	2.2%	1.5%
Oman	4.9%	4.9%	4.9%	4.9%
Kuwait	2.8%	1.4%	2.8%	1.4%
Bahrain	4.6%	3.6%	4.6%	3.6%

### Risk Exposure:

The Group is exposed to a number of risks, the most significant of which are detailed below:

#### Inflation risk

The majority of the plan's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities.

#### Changes in bond yields

Decrease in corporate bond yields will increase plan liabilities.

### Maturity Analysis of Undiscounted Cash Flows

	Less than a year	Between 1-2 years	Between 2-5 years	Over 5 years	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>31 December 2021</b>					
Employee Retirement Benefits	129,238	139,571	349,725	1,292,503	1,911,037
<b>31 December 2020</b>					
Employee Retirement Benefits	114,934	128,297	317,733	1,462,982	2,023,946

## 22. DEFERRED TAX

Following are the major deferred tax assets and liabilities recognised by the Group:

### 22.1. Deferred Tax Assets

	2021	2020
	SAR '000	SAR '000
Opening Balance	35,517	40,836
Increase / (Decrease) during the year	9,982	(5,815)
Currency Translation Difference	(160)	496
Closing Balance	45,339	35,517

Deferred tax assets relate to unused tax losses for its subsidiaries in Argentina and Egypt. Management believes that future taxable profits will be available against which deferred tax assets can be realised.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 22. DEFERRED TAX continued

#### 22.2. Deferred Tax Liabilities

	2021	2020
	SAR '000	SAR '000
Opening Balance	102,139	103,328
Increase / (Decrease) during the year	14,699	(1,514)
Currency Translation Difference	464	325
Closing Balance	117,302	102,139

Deferred tax liability of SAR 117.3 million relates to taxable temporary differences arising majorly on Property, Plant and Equipment. This includes SAR 23.8 million on the fair valuation adjustment of land amounting to SAR 68.1 million carried out at the time of business combination of its subsidiaries in Argentina, being the temporary difference between the carrying amount of land for financial reporting purposes and the amount used for taxation purposes.

### 23. ZAKAT AND INCOME TAX

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Zakat Provision (Refer note 23.1)	429,988	371,993
Income Tax Provision (Refer note 23.2)	17,264	26,311
	447,252	398,304

#### 23.1. Zakat Provision

Zakat is charged at the higher of net adjusted income or Zakat base as required by the ZATCA. The key elements of zakat base primarily include equity components, net income and liabilities adjusted for zakat purpose. In the current year, the Zakat charge is based on the net adjusted income method for Almarai Company including HADCO while Zakat charge for MFI is calculated based on Zakat base.

	2021	2020
	SAR '000	SAR '000
Opening Balance	371,993	363,488
Charge for the year	77,080	72,042
Payments	(19,085)	(63,537)
Closing Balance	429,988	371,993

The Company filed its Consolidated Zakat returns for all the years up to 2020 and settled its Zakat liabilities accordingly. The Zakat assessments for all the years up to 2014 for Almarai Company have been closed with the ZATCA. For MFI, zakat and income tax assessments for the years up to 2015 and 2018 have been closed with ZATCA and the assessments specifically relating to the years 2016 and 2017 are still open. During 2021, the Group received assessment orders for Almarai Company for the years from 2015-2020. Appeals against the assessments order for the years 2015-2018 have been filed and are under review as at 31 December 2021. Management believes that the decisions on appeal against the open years' assessments will not result in material amounts that are in addition to what have already been recorded in the Consolidated Financial Statements.

HADCO filed its Zakat returns for all years up to 2008 and settled its Zakat liabilities accordingly. The Zakat assessments have been agreed with the ZATCA for all years up to 2007 while the 2008 Zakat return is under review by the ZATCA. From 2009 onwards, HADCO is not required to file a separate return as its results are included in the Company's Consolidated Zakat return.

## 23.2. Income Tax Provision

	2021	2020
	SAR '000	SAR '000
Opening Balance	26,311	31,578
Charge for the year	6,617	15,959
Payments	(15,664)	(21,226)
Closing Balance	17,264	26,311

Foreign subsidiaries filed their tax returns for all years up to 2020 and settled their tax liabilities accordingly. While all the returns have been filed, final assessments are pending for certain years. The earliest year open for assessment is 2010, and the latest year assessed is 2018.

The difference between effective tax rate and accounting rate is not considered significant.

## 24. TRADE AND OTHER PAYABLES

Management considers that the carrying amount of trade payables approximates to their fair value.

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Trade Payable - Third Parties	1,318,677	1,190,951
- Related Parties (Refer note 35)	5,582	6,404
Accrued Expenses (Refer note 24.1)	1,518,690	1,389,787
Other Payables	496,547	427,692
	3,339,496	3,014,834

**24.1.** Accrued expenses include accrual against volume discounts amounting to SAR 320.8 million (2020: SAR 294.5 million), payroll related accrual amounting to SAR 304.7 million (2020: SAR 296.1 million) and accrual against expected sales returns amounting to SAR 63.0 million (2020: SAR 46.1 million). Other payables include unrecognised portion of Government grants related to inventories held at the reporting date.



# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 25. COST OF SALES

	2021	2020
	SAR '000	SAR '000
Material Consumed	6,837,845	5,961,349
Government Grants	(272,103)	(428,722)
Employee Costs	1,680,742	1,727,900
Depreciation of Property, Plant and Equipment	1,362,511	1,350,058
Repairs and Maintenance	597,530	560,420
Depreciation of Biological Assets	360,241	349,178
Telephone and Electricity	335,188	324,956
Vaccines and Drugs	143,534	141,277
Amortisation of Software Licenses	41,014	27,981
Depreciation of Right-of-Use Assets	30,287	33,002
Amortisation of Long-term Prepayments (Refer note 8)	27,262	20,759
Other Expenses	334,045	397,719
Less:		
Appreciation of Biological Assets (Refer note 11)	(687,646)	(644,437)
	<b>10,790,450</b>	<b>9,821,440</b>

### 26. SELLING AND DISTRIBUTION EXPENSES

	2021	2020
	SAR '000	SAR '000
Employee Costs	1,531,939	1,545,099
Marketing Expenses	352,803	332,613
Depreciation of Property, Plant and Equipment	228,223	230,531
Repairs and Maintenance	179,447	155,419
Depreciation of Right-of-Use Assets	62,740	64,772
Telephone and Electricity	23,046	23,152
Amortisation of Software Licenses	4,970	5,252
Other Expenses	135,683	133,641
	<b>2,518,851</b>	<b>2,490,479</b>

## 27. GENERAL AND ADMINISTRATION EXPENSES

	2021	2020
	SAR '000	SAR '000
Employee Costs	244,356	244,632
Insurance	85,957	77,175
Repairs and Maintenance	38,763	23,808
Amortisation of Software Licenses	20,492	23,448
Depreciation of Property, Plant and Equipment	17,835	19,819
Depreciation of Right-of-Use Assets	9,710	10,731
Telephone and Electricity	3,910	3,080
Other Expenses	7,134	17,097
	<b>428,157</b>	<b>419,790</b>

## 28. OTHER EXPENSES, NET

	2021	2020
	SAR '000	SAR '000
Loss on Disposal of Biological Assets (Refer note 28.1)	135,875	170,077
Gain on Disposal of Property, Plant and Equipment	(6,221)	(26,607)
Exchange Gain	(41,602)	(24,258)
Net Gain on Disposal of Right-of-Use Assets	(1,177)	(18,792)
Gain on Sale of Right Issue of Equity Investment	-	(15,279)
Net Gain on settlement of Insurance Claim	-	(5,570)
Dividend on Equity Investment	(300)	(180)
Other Income	(1,012)	(963)
	<b>85,563</b>	<b>78,428</b>

**28.1.** Each cow within the dairy herd is depreciated over the average useful life of approximately 4 lactations (Refer note 5.9). In order to maintain the size and health of the dairy herd, a significant proportion of the herd is culled or sold each year based on an assessment by management of the productivity, breeding and efficiency of each herd member and only those meeting predefined levels are retained. It is not possible to predict in advance which herd members will be culled early or late and accordingly the average useful life of approximately 4 lactations is applied across the whole of the dairy herd. Underperforming herd members are often sold in a secondary market where the value received for each herd member is generally not linked to the age of the herd member. Herd members culled or sold before 4 lactations will typically have a depreciated cost higher than the expected residual value and thus a loss on disposal will generally arise. Management believe that such loss on disposal broadly offsets the absence of depreciation on those herd members that survive beyond the average 4 lactation period and accordingly neither the profit for the year nor the net carrying cost of the dairy herd as reported in the Consolidated Statement of Financial Position is materially distorted.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 29. FINANCE COST, NET

	2021	2020
	SAR '000	SAR '000
Interest and Finance Charges	359,190	464,408
Interest on Lease Liabilities	15,966	18,002
Interest Income on other Deposits	(3,796)	(8,677)
Exchange (Gain) / Loss	(18,133)	18,507
Interest Capitalisation	(12,348)	(4,246)
Net Loss on Settlement of Interest Rate Swap Instrument	5,184	7,887
	<b>346,063</b>	<b>495,881</b>

### 30. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2021	2020
Profit for the year attributable to the shareholders of the Company SAR '000'	1,563,543	1,984,361
<b>Number of shares '000'</b>		
Weighted average number of ordinary shares for the purposes of basic earnings	981,559	980,708
Weighted average number of ordinary shares repurchased	18,441	19,292
Weighted average number of ordinary shares for the purposes of diluted earning	1,000,000	1,000,000
<b>"Earnings per Share (SAR), based on Profit for the year attributable to Shareholders of the Company"</b>		
- Basic	1.59	2.02
- Diluted	1.56	1.98

Weighted average number of shares are retrospectively adjusted to reflect the effect of Bonus Shares and are adjusted to take account of Treasury Shares held under the Almarai Employee Stock Options Programme.

### 31. SEGMENT REPORTING

The Group's principal business activities involve manufacturing and trading of dairy and juice products under Almarai, Joosy Life Beyti and Teeba brands, bakery products under L'usine and 7 Days brands and poultry products under Alyoum and AlBashayer brands. Other activities include Arable, Horticulture, Infant Nutrition and Food Services. Selected financial information as at 31 December 2021 and 31 December 2020, and for the years then ended, categorised by these business segments, is as follows:

Dairy and Juice	Milk production, dairy and fruits juice product processing and distribution
Bakery	Bakery products manufacturing and distribution
Poultry	Poultry products manufacturing and distribution
Other Activities	Arable, Horticulture and Infant Nutrition

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>31 December 2021</b>					
Revenue	11,202,470	1,788,862	2,301,459	1,075,536	16,368,327
Third Party Revenue	11,141,325	1,788,862	2,301,459	618,074	15,849,720
Depreciation and Amortisation	(1,427,956)	(207,580)	(337,184)	(192,565)	(2,165,285)
Share of Results of Associate and Joint Venture	-	-	-	(941)	(941)
Profit / (Loss) attributable to Shareholders of the Company	1,214,992	218,002	214,985	(84,436)	1,563,543
Profit / (Loss)	1,220,186	226,199	217,487	(84,436)	1,579,436
<b>Total Assets</b>	<b>21,287,251</b>	<b>1,998,297</b>	<b>5,548,292</b>	<b>2,920,462</b>	<b>31,754,302</b>
<b>Total Liabilities</b>	<b>13,404,191</b>	<b>443,640</b>	<b>616,534</b>	<b>671,524</b>	<b>15,135,889</b>
<b>31 December 2020</b>					
Revenue	10,981,775	1,711,952	2,292,779	993,169	15,979,675
Third Party Revenue	10,923,680	1,711,952	2,292,779	428,537	15,356,948
Depreciation and Amortisation	(1,386,609)	(208,738)	(374,869)	(165,315)	(2,135,531)
Share of Results of Associate and Joint Venture	-	-	-	1,405	1,405
Profit / (Loss) attributable to Shareholders of the Company	1,473,466	226,252	342,858	(58,215)	1,984,361
Profit / (Loss)	1,412,726	237,012	344,033	(58,215)	1,935,556
<b>Total Assets</b>	<b>21,716,476</b>	<b>2,139,323</b>	<b>5,473,469</b>	<b>3,015,038</b>	<b>32,344,306</b>
<b>Total Liabilities</b>	<b>14,207,258</b>	<b>430,518</b>	<b>802,328</b>	<b>670,523</b>	<b>16,110,627</b>

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 31. SEGMENT REPORTING continued

The Group's revenue is derived from contracts with customers for sale of consumer products. Control of products is transferred at a point in time and directly sold to customers.

Finance cost and tax expenses are not analysed at segment level, as it is driven by the central treasury and tax functions respectively, which manages these expenses at the Group level.

Segment assets are measured in the same way as in the Consolidated Financial Statements. These assets are allocated and analysed based on the operations of the segment. The Group's management does not analyse total assets based on its geographical location and therefore country-wise total assets are not disclosed in these Consolidated Financial Statements.

The revenue from business segments categorised by geographical region is as follows:

	Dairy and Juice	Bakery	Poultry	Other Activities	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>31 December 2021</b>					
Saudi Arabia	6,735,224	1,428,420	1,903,967	155,151	10,222,762
Other GCC Countries	2,474,912	341,294	280,205	24,937	3,121,348
Other Countries	1,931,189	19,148	117,287	437,986	2,505,610
<b>Total</b>	<b>11,141,325</b>	<b>1,788,862</b>	<b>2,301,459</b>	<b>618,074</b>	<b>15,849,720</b>
<b>31 December 2020</b>					
Saudi Arabia	6,782,443	1,399,108	1,955,644	148,666	10,285,861
Other GCC Countries	2,626,690	300,260	249,572	21,688	3,198,210
Other Countries	1,514,547	12,584	87,563	258,183	1,872,877
<b>Total</b>	<b>10,923,680</b>	<b>1,711,952</b>	<b>2,292,779</b>	<b>428,537</b>	<b>15,356,948</b>

## 32. BANK OVERDRAFT

It represents the overdraft facility arrangement in IDJ (Egypt and Jordan) amounting to SAR 235.5 million (2020: SAR 253.0), secured by corporate guarantee given by the Shareholders. The average rate on overdraft facility during 2021 was 9.5% and 6.0% per annum for Egypt and Jordan respectively (2020: 9.8% and 6.5%).

## 33. CASH FLOW INFORMATION

### Non-cash Investing and Finance Activities

Borrowing Cost Capitalised as part of Capital Work-in-Progress (Refer note 7).

Acquisition of Right-of-Use-Assets (Refer note 9).

## 34. COMMITMENT AND CONTINGENCIES

**34.1.** The contingent liabilities against letters of credit are SAR 173.6 million at 31 December 2021 (2020: SAR 171.1 million).

**34.2.** The contingent liabilities against letters of guarantee are SAR 1.4 billion at 31 December 2021 (2020: SAR 1.0 billion). Contingent liabilities against letters of guarantee expire as follows.

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Within one year	461,843	887,846
Two to five years	759,263	26,895
After five years	201,540	118,298
Total	1,422,646	1,033,039

**34.3.** The Group had capital commitments amounting to SAR 830.1 million at 31 December 2021 in respect of ongoing projects (2020: SAR 716.9 million). The majority of the capital commitments are for updating the existing production facilities, sales depot development, distribution fleet, fridges and IT equipment.

**34.4.** Refer to note 23.1 for Zakat related matters.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 35. RELATED PARTY TRANSACTIONS

35.1. During the normal course of its operations, the Group had the following significant transactions with related parties during the year ended 31 December 2021 along with their balances:

Nature of Transaction	Transaction Amount		Balance at	
	2021 SAR '000	2020 SAR '000	31 December 2021 SAR '000	31 December 2020 SAR '000
<b>Sales To</b>				
Panda Retail Company	731,026	730,416	132,001	185,685
Afia International Company	2,249	7,947	531	-
Herfy Food Services	-	3,799	-	1,175
Abdullah Al Othaim Markets*	491,769	451,753	98,291	89,922
<b>Total</b>	<b>1,225,044</b>	<b>1,193,915</b>	<b>230,823</b>	<b>276,782</b>
<b>Purchases From</b>				
United Sugar Company	57,633	38,373	(4,845)	(3,296)
Maria Fondomonte S.A.	26,962	70,680	(462)	(1,048)
	<b>84,595</b>	<b>109,053</b>	<b>(5,307)</b>	<b>(4,344)</b>
<b>Services From</b>				
Arabian Shield Cooperative Insurance Company	162,054	153,791	(275)	(2,060)
Saudi Telecommunication Company - STC	25,194	17,075	-	-
Zain	7,390	4,901	-	-
	194,638	175,767	(275)	(2,060)
<b>Subtotal</b>	<b>279,233</b>	<b>284,820</b>	<b>(5,582)</b>	<b>(6,404)</b>
<b>Finance Charges</b>				
Saudi British Bank	5,512	8,969	(1,587)	(1,660)
Banque Saudi Fransi	2,042	3,207	(588)	(615)
Saudi National Bank	9,187	7,286	(2,644)	(1,229)
	<b>16,741</b>	<b>19,462</b>	<b>(4,819)</b>	<b>(3,504)</b>
<b>Bank Financing</b>				
Saudi British Bank	26,685	34,482	(1,042,002)	(1,274,062)
Banque Saudi Fransi	2,352	3,456	-	-
Saudi National Bank	14,586	23,998	(590,625)	(800,000)
	<b>43,623</b>	<b>61,936</b>	<b>(1,632,627)</b>	<b>(2,074,062)</b>

During Dec 2021 the entity became a related party for the Group. The disclosed transactions reflect the total amount of trading activity carried out during 2021 and 2020 and the related balance as at 31 December for such years.

35.2. Sales and purchases (including services) carried out to/from related parties during the year based on the price lists in force and terms that would be available to third parties in the normal course of business. Terms and conditions related to loan financing arrangements have been disclosed in note 20 and they carry interest charges at market rates. All other transactions were made on normal commercial terms and conditions based on prevailing market rates.

35.3. Bank financing movement is as follows:

	2021	2020
	SAR '000	SAR '000
Opening Balance	2,074,062	2,331,861
Drawdown during the year	7,723,813	3,420,000
Repayment during the year	(8,165,248)	(3,677,799)
Closing Balance	1,632,627	2,074,062

35.4. The related parties, other than subsidiaries, include the following:

Entity	Relationship
Panda Retail Company	Common Ownership and Directors of Almarai Group
Afia International Company	Common Ownership and Directors of Almarai Group
Herfy Food Services	Common Ownership and Directors of Almarai Group
United Sugar Company	Common Ownership and Directors of Almarai Group
Abdullah Al Othaim Markets	Key Management Personnel
Arabian Shield Cooperative Insurance Company	Common Directorship
Saudi Telecom Company	Common Directorship
Zain	Common Directorship
Saudi British Bank	Common Directorship
Banque Saudi Fransi	Common Directorship
Saudi National Bank	Common Directorship

35.5. Members of the Board of Directors do not receive any remuneration for their role in managing the Company unless approved by the General Assembly. Members of the Board of Directors receive an attendance allowance for Board and Board Committee meetings. Executive Directors receive fixed remuneration as a result of their direct duties and responsibilities. The top five Senior Executives, including the Chief Executive Officer and the Chief Financial Officer, receive remuneration according to the employment contracts signed with them. The following table illustrates details of remuneration and compensation paid to Directors and Key Management Personnel:

	31 December 2021			31 December 2020		
	Non Executive / Independent Board Members	Key Management Personnel	Total	Non Executive / Independent Board Members	Key Management Personnel	Total
	SAR '000			SAR '000		
Salaries and Compensation	500	7,707	8,207	500	9,604	10,104
Allowances	1,679	2,441	4,120	1,905	2,631	4,536
Annual and Periodic Bonuses	-	6,582	6,582	-	12,351	12,351
Termination Benefits	-	-	-	-	4,000	4,000
Shared Based Payment Transactions	-	1,087	1,087	-	779	779
In-kind Benefits	-	690	690	-	510	510
Other Benefits	1,600	5,952	7,552	1,800	2,219	4,019
Total	3,779	24,459	28,238	4,205	32,094	36,299



# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 36. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2021, the Group had various financial derivatives that were designated as cash flow hedge instruments to cover cash flow fluctuations arising from commission rates, foreign exchange prices and commodity prices that are subject to market price fluctuations. As per Group policy, derivative instruments are not used for trading or speculative purposes.

At 31 December 2021, the Group had 10 commission rate swap agreements in place with a total notional amount of SAR 1 billion. At 31 December 2020, the Group had 7 commission rate swap agreements in place with a total notional amount of SAR 1,775.0 million.

The swaps result in the Group receiving floating SIBOR or LIBOR rates while paying fixed rates of commission rate under certain conditions. The swaps are being used to hedge the exposure to commission rate changes of the Group's Islamic borrowings.

The Group enters into hedging strategies by using various financial derivatives to cover foreign exchange firm commitments and forecasted transactions that are highly probable.

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item, therefore does not result in basis risk.

All financial derivatives are carried in the Consolidated Statement of Financial Position at fair value. All cash flow hedges are considered highly effective. The application of hedge accounting effectively results in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory and PPE at the fixed foreign currency rate for the hedged purchases.

The following table detail the notional principal amounts and remaining terms outstanding as at the reporting date:

	Notional amount of the hedging instruments		Carrying amount of the hedging instrument	
	Current SAR '000	Non-Current SAR '000	Assets SAR '000	Liabilities SAR '000
<b>31 December 2021</b>				
Forward currency contracts	1,885,704	1,917,077	683	56,391
Interest rate swaps	-	1,000,000	2,011	244
Commodity Derivatives	184,889	-	10,914	-
	<b>2,070,593</b>	<b>2,917,077</b>	<b>13,608</b>	<b>56,635</b>
<b>31 December 2020</b>				
Forward currency contracts	2,604,727	936,713	4,391	6,348
Interest rate swaps	1,775,000	-	73	696
Commodity Derivatives	188,164	-	49,725	984
	<b>4,567,891</b>	<b>936,713</b>	<b>54,189</b>	<b>8,028</b>

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## 37. FINANCIAL INSTRUMENTS

### 37.1. Fair value measurement of financial instruments

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. Underlying the definition of fair value is the presumption that the Group is a going concern and there is no intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When measuring the fair value, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 37. FINANCIAL INSTRUMENTS continued

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount			Fair Value			
	Hedging Instruments SAR '000	FVOCI SAR '000	Total SAR '000	Level 1 SAR '000	Level 2 SAR '000	Level 3 SAR '000	Total SAR '000
<b>31 December 2021</b>							
<b>Financial Assets</b>							
Derivative Financial Instruments	13,608	-	13,608	-	13,608	-	13,608
Equity Investment	-	46,894	46,894	46,894	-	-	46,894
<b>Financial Liabilities</b>							
Derivative Financial Instruments	56,635	-	56,635	-	56,635	-	56,635
<b>31 December 2020</b>							
<b>Financial Assets</b>							
Derivative Financial Instruments	54,189	-	54,189	-	54,189	-	54,189
Equity Investment	-	129,734	129,734	129,734	-	-	129,734
<b>Financial Liabilities</b>							
Derivative Financial Instruments	8,028	-	8,028	-	8,028	-	8,028

Level 2 derivative financial instruments include forwards, commission rate swaps and commodity derivatives. These derivatives are valued using widely recognized valuation models. The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations. Where applicable, these models project future cash flows and discount the future amounts to a present value using market-based observable inputs including interest rate curves, credit spreads, foreign exchange rates, and forward and spot prices.

#### 37.2. Risk Management of Financial Instruments

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk, market price risk and capital management risk.

The group's risk management is predominantly centralized under policies approved by the Board of Directors. The Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board approves the overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

### Credit Risk:

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables and receivables from related parties and derivative financial instruments as follows.

	31 December 2021	31 December 2020
	SAR '000	SAR '000
Cash at Bank	537,108	475,236
Trade Receivables - Third Parties	1,172,945	999,434
Trade Receivables - Related Parties	230,823	276,782
Derivative Financial Instruments	13,608	54,189
Other Receivables	78,586	107,246
	<b>2,033,070</b>	1,912,887

The carrying amount of financial assets represents the maximum credit exposure.

Credit risk on receivable and bank balances is limited as:

- Cash balances, term deposits and derivative financial instruments are held with banks with sound credit ratings ranging from BBB- and above.
- The receivables are shown net of allowance for impairment of trade receivables and sales returns. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the GDP, unemployment rate, inflation rate and interest rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusted the historical loss rates based on expected changes in these factors.

Financial position of related parties is stable.

Trade receivables outstanding balance comprises of 59.6% in KSA, 27.6% in GCC (other than KSA) and 12.8% in other Countries. The five largest customers account approximately for 32% of outstanding trade receivables at 31 December 2021.

The Group manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Group seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 37. FINANCIAL INSTRUMENTS continued

#### Liquidity Risk:

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted and include estimated interest payments.

31 December 2021				
	Carrying Amount SAR '000	On Demand or less than 1 year SAR '000	1 year to 5 years SAR '000	More than 5 years SAR '000
<b>Non Derivative Financial Liabilities</b>				
Bank Overdrafts	78,395	87,541	-	-
Loans and Borrowings	9,703,838	2,730,293	6,029,732	1,307,717
Trade and other payables	3,333,914	3,333,914	-	-
Trade Payables to Related Parties	5,582	5,582	-	-
Lease Liabilities	441,144	91,067	195,168	304,338
	<b>13,562,873</b>	<b>6,248,397</b>	<b>6,224,900</b>	<b>1,612,055</b>
<b>Derivative Financial Liabilities</b>				
Forward currency contracts	56,391	46,350	10,041	-
Interest rate swaps	244	244	-	-
	<b>56,635</b>	<b>46,594</b>	<b>10,041</b>	<b>-</b>

31 December 2020				
	Carrying Amount SAR '000	On Demand or less than 1 year SAR '000	1 year to 5 years SAR '000	More than 5 years SAR '000
<b>Non Derivative Financial Liabilities</b>				
Bank Overdrafts	137,512	145,205	-	-
Loans and Borrowings	11,114,968	1,067,053	7,897,011	2,595,502
Trade and other payables	3,008,430	3,008,430	-	-
Trade Payables to Related Parties	6,404	6,404	-	-
Lease Liabilities	425,489	94,430	198,376	276,219
	<b>14,692,803</b>	<b>4,321,522</b>	<b>8,095,387</b>	<b>2,871,721</b>
<b>Derivative Financial Liabilities</b>				
Forward currency contracts	6,348	2,591	3,757	-
Interest rate swaps	696	696	-	-
Commodity Derivatives	984	984	-	-
	<b>8,028</b>	<b>4,271</b>	<b>3,757</b>	<b>-</b>

Liquidity risk is managed by monitoring on a regular basis that sufficient funds and banking and other credit facilities are available to meet the Group's future commitments. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

### Market Risk:

Market price risk is the risk that value of a financial instrument will fluctuate as a result of changes in market prices, such as, commission rates, commodity prices and foreign currency exchange rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. The Group seeks to apply hedge accounting to manage volatility in profit or loss.

### Commission Rate Risk:

Commission Rate Risk is the exposure associated with the effect of fluctuations in the prevailing commission rates on the Group's financial position and cash flows. Islamic banking facilities (Murabaha), International Finance Corporation facility and other banking facilities of non-GCC subsidiaries and Sukuk amounting to SAR 5,069.5 million at 31 December 2021 (2020: SAR 4,692.0 million) bear variable financing commission charges at the prevailing market rates.

The Group's policy is to manage its financing charges using a mix of fixed and variable commission rate debts. The policy is to keep 50% to 60% of its borrowings at fixed commission rate. Currently, 50% of the total outstanding borrowings at 31 December 2021 are at fixed commission rate. Further variable borrowing carry commission rate at prevailing market rates indexed to SIBOR/LIBOR.

The swap contracts require settlement of net interest receivable or payable every 90 or 180 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

The following table demonstrates the sensitivity of the income to reasonably possible changes in commission rates, related to variable rate borrowings (net of hedge) with all other variables held constant. There is no direct impact on the Group's equity.

		Increase / decrease in basis points of commission rates	Effect on income for the year
			SAR'000
31 December 2021	SAR	+100	50,695
	SAR	-100	(50,695)
31 December 2020	SAR	+100	(46,920)
	SAR	-100	46,920

### Commodity Price Risk:

Commodity Price Risk is the risk associated with changes in prices to certain commodities including corn, sugar and soya etc. that the Group is exposed to and its unfavourable effect on the Group's costs and cash flow. This commodity price risk arises from forecasted purchases of certain commodities that the Group uses as raw material, which is managed and mitigated by entering into commodity derivatives.

# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 37. FINANCIAL INSTRUMENTS continued

The Group enters into various commodity derivatives to hedge the price of certain commodity purchases. These derivatives match the maturity of the expected commodity purchases and use the same underlying index as for the hedged item.

The sensitivity of the commodity prices to reasonably possible changes in rates by 5% would have increased / (decreased) profit by SAR 31.0 million. There is no direct impact on the Group's equity.

#### Currency Risk:

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in currency that's not the Group's currency. The Group exposure to foreign currency risk is primarily limited to transactions in Kuwaiti Dinar ("KWD"), Egyptian Pounds ("EGP"), Euro ("EUR"), Great British Pounds ("GBP"), United State Dollars ("USD"), Bahraini Dinar ("BHD"), Arab Emirates Dirham ("AED"), Omani Riyal ("OMR") and Jordanian Dinars ("JOD"). The Group is not exposed to foreign currency fluctuation risk arising from the BHD, AED, OMR and JOD as these are pegged to USD. The fluctuation in exchange rates against KWD, EGP, EUR and GBP are monitored on a continuous basis. Quantitative data regarding the Group's exposure to currency risk arising from currencies that are not pegged to USD is as follows:

	KWD	EGP	EUR	GBP	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>31 December 2021</b>					
Cash at Bank	26,092	60,927	10,227	2,286	99,532
Cash in Hand	560	54	70	38	722
Trade Receivables	103,805	19,659	-	-	123,464
Bank Overdrafts	-	(14,256)	-	-	(14,256)
Short term Borrowings	-	(69,029)	-	-	(69,029)
Long Term Borrowings	-	(215,680)	(159,020)	-	(374,700)
Trade Payables	(3,267)	(110,975)	(146,589)	(6,333)	(267,164)
<b>Net Statement of Financial Position exposure</b>	<b>127,190</b>	<b>(329,300)</b>	<b>(295,312)</b>	<b>(4,009)</b>	<b>(501,431)</b>

	KWD	EGP	EUR	GBP	Total
	SAR '000	SAR '000	SAR '000	SAR '000	SAR '000
<b>31 December 2020</b>					
Cash at Bank	18,006	65,231	3,430	7,616	94,283
Cash in Hand	5,967	229	95	48	6,339
Trade Receivables	91,786	22,377	-	-	114,163
Bank Overdrafts	-	(53,370)	-	-	(53,370)
Short term Borrowings	-	(77,287)	-	-	(77,287)
Long Term Borrowings	-	(186,773)	(200,062)	-	(386,835)
Trade Payables	(1,549)	(88,329)	(175,928)	(7,141)	(272,947)
<b>Net Statement of Financial Position exposure</b>	<b>114,210</b>	<b>(317,922)</b>	<b>(372,465)</b>	<b>523</b>	<b>(575,654)</b>

The Group uses forward currency contracts to eliminate volatility in currency exposures. Management believes that the currency risk for forecast payments and capital expenditure is adequately managed primarily through entering into foreign currency forward purchase agreements. The Group treasury's risk management policy is to hedge between 65% to 90% of forecast non-pegged USD cash flows for accounts payable and capital expenditure purchases up to one year in advance, subject to a review of the cost of implementing each hedge. For the year ended 31 December 2021, approximately 90% of forecast payments and capital expenditures were hedged in respect of foreign currency risk. The hedge of forecast payments and capital expenditures qualified as 'highly probable' qualified forecast transactions for hedge accounting purposes. The forward purchase agreements are secured by promissory notes given by the Group. The sensitivity of the currency to reasonably possible changes in rates by 5% would have increased / (decreased) profit by SAR 25.3 million

A strengthening / (weakening) of the KWD, EGP, EUR, and GBP by 10% against all other currencies would have affected the measurement of financial instruments denominated in foreign currency and would have increased / (decreased) equity by the amounts shown below:

	31 December 2021	31 December 2020
	SAR '000	SAR '000
KWD	12,719	11,421
EGP	(32,930)	(31,792)
EUR	(29,531)	(37,247)
GBP	(401)	52
	(50,143)	(57,566)

#### Capital Management:

The Board's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitor the return on capital employed and the level of dividends to ordinary shareholders.

The Group's objectives when managing capital are:

- i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- ii) to provide an adequate return to shareholders.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the Consolidated Statement of Financial Position, less cash and cash equivalent. Total capital is calculated as 'equity' as shown in the Consolidated Statement of Financial Position plus net debt.



# Notes to the Consolidated Financial Statements continued

## For the year ended 31 December 2021

### 37. FINANCIAL INSTRUMENTS continued

#### 37.3. LIBOR Reform Transition

In July 2017, the United Kingdom Financial Conduct Authority ('FCA'), which regulates the London Interbank Offered Rate ('LIBOR'), announced that the interest benchmark would cease after 2021. LIBOR is one of the most common series of benchmark interest rates.

LIBOR reforms and expectation of cessation of LIBOR will not significantly impact the Group's current risk management strategy and possibly accounting for certain financial instruments. The Group has certain USD denominated long-term loans, amounting to SAR 396.4 million, which are exposed to the impact of LIBOR. The Group has adopted Secured Overnight Financing Rate ("SOFR"), as a benchmark rate in place of LIBOR, that is recommended by the Alternative Reference Rates Committee ("ARRC") appointed by US Federal Reserves Board.

#### Mitigation actions:

The Group has established program across all its business lines, operational areas and geographical regions that focuses on:

- assessing and reducing the Group's and clients' exposure to legacy LIBOR contracts by amending or replacing existing contracts to either include robust fall back provisions and or replace LIBOR with risk free rates or an alternative rate.
- Enhancing existing infrastructure and financial models to prepare for a smooth transition to alternative risk-free reference rates.

The Group continues to develop and implement plans to mitigate the risks associated with LIBOR cessation as alternative reference rates develop.

### **38. DIVIDEND APPROVED AND PAID**

On 1 Ramadan 1442 A.H. (13 April 2021) the shareholders in their Extraordinary General Assembly Meeting approved dividends of SAR 1 billion (SAR 1 per share) for the year ended 31 December 2020 out of which SAR 978.1 million was paid on 9 Ramadan 1442 A.H. (21 April 2021). No dividend was paid relating to treasury shares.

### **39. DIVIDEND PROPOSED**

The Board of Directors have proposed, for shareholders' approval at the General Assembly Meeting, a dividend of SAR 1.0 billion (SAR 1 per share) for the year ended 31 December 2021.

### **40. SUBSEQUENT EVENTS**

In the opinion of the management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements except below:

On 12 January 2022, the Group obtained the required substantive regulatory approvals and settled the consideration. Accordingly, the acquisition of Bakemart related terms and conditions were met on 12 January 2022. This acquisition is considered as a non-adjusting subsequent event and the accounting implication of this transaction has not been reflected in these consolidated financial statements.

### **41. BOARD OF DIRECTORS APPROVAL**

These Consolidated Financial Statements were approved by the Board of Directors on 20 Jumada Al-Thani 1443 A.H. (23 January 2022).



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