SUPREME FOODS COMPANY LIMITED
(A Limited Liablity Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
AND INDEPENDENT AUDITOR'S REPORT

SUPREME FOODS COMPANY LIMITED
(A Limited Liablity Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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Independent auditor's report to the shareholders of Supreme Foods 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 Supreme Foods Company (the "Company") and its subsidiaries (together the "Group") as at December 31, 2018, 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 Certified Public Accountants (SOCPA).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2018;
- 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 a summary of significant accounting policies.

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.

Responsibilities of management 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 Articles of Association, 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.

PricewaterhouseCoopers, License No. 25,
Jameel Square, P.O. Box 16415, Jeddah 21464, Kingdom of Saudi Arabia
T: +966 (12) 610-4400, F: +966 (12) 610-4411, www.pwc.com/middle-east

Independent auditor's report to the shareholders of Supreme Foods Company (continued)

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.

- 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 audit. We remain solely responsible for our audit opinion.

We communicate with management 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.

PricewaterhouseCoopers

Mufaddal A. Ali
License Number 447

April 8, 2019

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SUPREME FOODS COMPANY LIMITED
(A Limited Liablity Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2018	As at December 31, 2017	As at January 1, 2017
Assets				
Non-current assets				
Property, plant and equipment	8	**132,296,071**	182,287,226	201,258,917
Intangible assets	9	**1,960,646**	3,330,548	4,587,722
Financial assets at fair value through other comprehensive income	10	**48,473,983**	66,864,205	97,675,095
Total non-current assets		**182,730,700**	252,481,979	303,521,734
Current assets				
Inventories	11	**145,205,896**	165,967,169	171,315,735
Biological assets	12	**55,825,581**	46,242,377	42,791,940
Contract assets	13	**276,557**	-	174,440
Trade receivables	14	**351,055,005**	146,285,065	144,626,452
Prepayments and other receivables	15	**71,591,392**	100,295,557	103,252,303
Cash and cash equivalents	16	**22,770,507**	43,248,954	20,122,711
Total current assets		**646,724,938**	502,039,122	482,283,581
Total assets		**829,455,638**	754,521,101	785,805,315
Equity				
Share capital	17	**100,000,000**	100,000,000	100,000,000
Contributed capital	17	**-**	110,924,879	47,600,000
Statutory reserve	18	**21,216,697**	13,726,944	13,726,944
Financial assets at FVOCI reserve		**26,763,435**	43,083,980	73,894,870
Retained earnings / (accumulated losses)		**30,284,951**	(158,534,078)	(82,694,869)
Equity attributable to owners of the Company		**178,265,083**	109,201,725	152,526,945
Non-controlling interest		**(600)**	(9,771,260)	(5,090,473)
Total equity		**178,264,483**	99,430,465	147,436,472
Liabilities				
Non-current liabilities				
Employee benefits obligations	19	**59,244,978**	60,685,524	57,212,514
Total non-current liabilities		**59,244,978**	60,685,524	57,212,514
Current liabilities				
Borrowings	20	**281,959,100**	348,541,694	341,577,515
Trade payables	21	**135,566,332**	160,622,914	154,218,905
Due to a related party		**77,178,852**	-	-
Contract liabilities	13	**-**	763,394	-
Accrued and other liabilities	22	**85,768,318**	77,086,881	77,887,424
Zakat provision	23	**11,473,575**	7,390,229	7,472,485
Total current liabilities		**591,946,177**	594,405,112	581,156,329
Total liabilities		**651,191,155**	655,090,636	638,368,843
Total equity and liabilities		**829,455,638**	754,521,101	785,805,315

The accompanying notes form an integral part of these consolidated financial statements.

SUPREME FOODS COMPANY LIMITED
(A Limited Liablity Company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2018	December 31, 2017
Revenue	25	**1,091,358,825**	995,197,461
Cost of revenue	26	**(849,254,648)**	(786,755,321)
Gross profit		**242,104,177**	208,442,140
General and administrative expenses	27	**(45,639,373)**	(52,781,500)
Selling and distribution expenses	28	**(101,642,619)**	(96,324,073)
Impairment loss on financial assets	14	**(2,117,792)**	(1,305,423)
Other income	29	**881,699**	6,385,761
Operating income		**93,586,092**	64,416,905
Finance costs	20	**(11,366,954)**	(7,835,355)
Profit before zakat		**82,219,138**	56,581,550
Zakat	23	**(7,322,809)**	(3,164,000)
Profit from continuing operations		**74,896,329**	53,417,550
Loss from discontinued operation	7	**-**	(135,057,259)
Profit / (loss) for the year		**74,896,329**	(81,639,709)
<u>Profit / (loss) attributable to:</u>			
Owners of the Company		**74,897,529**	(76,929,148)
Non-controlling interests		**(1,200)**	(4,710,561)
		74,896,329	(81,639,709)
Other comprehensive loss			
<u>Items that will not be reclassified to profit or loss</u>			
Re-measurements of post-employment benefit obligations	19	**(1,256,449)**	1,119,713
Changes in the fair value of equity investments at fair value through other comprehensive income	10	**(9,577,722)**	(30,810,890)
Total comprehensive income / (loss)		**64,062,158**	(111,330,886)
Total comprehensive income / (loss) attributable to:			
Owners of the Company		**64,063,358**	(106,650,099)
Non-controlling interests		**(1,200)**	(4,680,787)
		64,062,158	(111,330,886)
Total comprehensive income for the year attributable to owners of the Company arises from:			
Continuing operations		**64,063,358**	21,073,245
Discontinued operations		**-**	(127,723,344)
		64,063,358	(106,650,099)
Earnings per share for profit from continuing operations attributable to the owners of the Company:			
Basic and diluted earnings per share	32	**748.98**	513.75
Earnings per share for profit attributable to the owners of the Company:			
Basic and diluted earnings / (loss) per share	32	**748.98**	(769.29)

The accompanying notes form an integral part of these consolidated financial statements.

SUPREME FOODS COMPANY LIMITED
(A Limited Liablity Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Note	Share capital	Contributed capital	Statutory reserve	Financial assets at FVOCI reserve	(Accumulated losses) / retained earnings	Total	Non-controlling interest	Total equity
Balance at January 1, 2018		**100,000,000**	**110,924,879**	**13,726,944**	**43,083,980**	**(158,534,078)**	**109,201,725**	**(9,771,260)**	**99,430,465**
Profit / (loss) for the year		**-**		**-**	**-**	**74,897,529**	**74,897,529**	**(1,200)**	**74,896,329**
Other comprehensive loss		**-**		**-**	**(9,577,722)**	**(1,256,449)**	**(10,834,171)**	**-**	**(10,834,171)**
Total comprehensive (loss) / income for the year		**-**	**-**	**-**	**(9,577,722)**	**73,641,080**	**64,063,358**	**(1,200)**	**64,062,158**
Reclassification on disposal of financial assets at FVOCI	10.3	**-**	**-**	**-**	**(6,742,823)**	**6,742,823**	**-**	**-**	**-**
Additions	17	**-**	**5,000,000**	**-**	**-**	**-**	**5,000,000**	**-**	**5,000,000**
Absorption of losses	17	**-**	**(115,924,879)**	**-**	**-**	**115,924,879**	**-**	**-**	**-**
Disposal of a subsidiary	7	**-**	**-**	**-**	**-**	**-**	**-**	**17,824,162**	**17,824,162**
Acquisition of non-controlling interest	7	**-**	**-**	**-**	**-**	**-**	**-**	**(8,052,302)**	**(8,052,302)**
Transfer	18	**-**	**-**	**7,489,753**	**-**	**(7,489,753)**	**-**	**-**	**-**
Balance at December 31, 2018		**100,000,000**	**-**	**21,216,697**	**26,763,435**	**30,284,951**	**178,265,083**	**(600)**	**178,264,483**
Balance at January 1, 2017		100,000,000	47,600,000	13,726,944	73,894,870	(82,694,869)	152,526,945	(5,090,473)	147,436,472
Loss for the year		-	-	-	-	(76,929,148)	(76,929,148)	(4,710,561)	(81,639,709)
Other comprehensive income		-	-	-	(30,810,890)	1,089,939	(29,720,951)	29,774	(29,691,177)
Total comprehensive loss for the year		-	-	-	(30,810,890)	(75,839,209)	(106,650,099)	(4,680,787)	(111,330,886)
Additions	17	-	63,324,879	-	-	-	63,324,879	-	63,324,879
Balance at December 31, 2017		100,000,000	110,924,879	13,726,944	43,083,980	(158,534,078)	109,201,725	(9,771,260)	99,430,465

The accompanying notes form an integral part of these consolidated financial statements.

SUPREME FOODS COMPANY LIMITED
(A Limited Liablity Company)
Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	December 31, 2018	December 31, 2017
Cash flow from operating activities			
Profit / loss before zakat		**82,219,138**	(78,475,709)
Adjustments for:			
Depreciation on property, plant and equipment	8	**18,648,824**	29,851,711
Amortisation of intangible assets	9	**811,271**	1,263,074
Property, plant and equipment written off	8	**42,495**	582,819
Impairment of property, plant and equipment	8	**-**	2,880,747
Impairment loss on financial assets	14	**2,117,792**	1,305,423
Provision for inventory obsolescence	11	**(1,568,690)**	3,957,551
Provision for the employee benefits obligations	19	**7,904,776**	10,057,392
Net gain on disposal of property, plant and equipment		**(13,083)**	(12,001)
Finance costs		**11,366,954**	16,108,355
Dividend income		**-**	(2,250,000)
Government subsidy accrued during the year	15	**(39,004,162)**	(52,577,881)
Change in working capital			
Inventories		**(5,439,599)**	1,391,015
Trade receivables		**(207,158,630)**	(2,738,771)
Biological assets		**(9,583,204)**	(3,450,437)
Contract assets		**(276,557)**	174,440
Contract liabilities		**(763,394)**	763,394
Prepayments and other receivables		**43,393,834**	55,309,362
Trade payable		**50,681,435**	6,404,009
Due to a related party		**77,178,852**	
Accrued and other liabilities		**20,695,798**	(800,543)
Cash generated from (used in) operating activities		**51,253,850**	(10,256,050)
Employee benefits paid		**(4,082,270)**	(5,464,669)
Zakat paid		**(3,239,463)**	(3,246,256)
Finance cost paid		**(11,653,108)**	(15,610,740)
Net cash generated from (used in) operating activities		**32,279,009**	(34,577,715)
Cash flow from investing activities			
Purchase of property, plant and equipment	8	**(12,026,268)**	(14,347,267)
Purchase of intangible assets		**-**	(5,900)
Proceeds from disposal of property, plant and equipment		**15,428**	15,682
Proceeds from sale of financial assets at FVOCI		**7,812,500**	-
Dividend received	29	**-**	2,250,000
Net cash used in investing activities		**(4,198,340)**	(12,087,485)
Cash flow from financing activity			
Contributed capital		**5,000,000**	63,324,879
Borrowings		**(38,566,198)**	43,263,524
Net cash (used in) generated from financing activities		**(33,566,198)**	106,588,403
Net changes in cash and cash equivalents		**(5,485,529)**	59,923,203
Cash and cash equivalents at the beginning of the year	16	**38,119,223**	(21,803,980)
Cash and cash equivalents disposed on the disposal of a subsidiary	7	**(12,251,812)**	-
Cash and cash equivalents at the end of the year	16	**20,381,882**	38,119,223
Supplemental information for non-cash information:			
Disposal of Qeemah and Dukan for Groceries Company Limited ("Dukan")	7	**(17,824,162)**	-
Disposal of financial assets at FVOCI to a related party		**1,000,000**	-
Acquisition of non-controlling interests		**(8,052,302)**	-

The accompanying notes form an integral part of these consolidated financial statements.

1 Corporate information

Supreme Foods Company Limited (the “Company”) and its subsidiary (collectively the “Group”) consist of the Company and its various subsidiaries registered in Saudi Arabia as well as United Arab Emirates.

The Group is principally engaged in manufacturing, wholesale and retail trading in foodstuff, preparation of animal and poultry feeds for commercial purposes and retail and wholesale trading in poultry equipment.

The Company is a limited liability company operating in the Kingdom of Saudi Arabia under Commercial Registration No. 1010087483 dated Rabi-ul-Thani 6, 1412H (October 14, 1991). Subsequent to year end, the Company has been converted to a Saudi Closed Joint Stock Company. The Company’s head office is located at P.O. Box 86909, Riyadh 11632, Kingdom of Saudi Arabia.

At December 31, 2018, the accompanying consolidated financial statements include the accounts of the Company and its subsidiaries operating under individual commercial registrations as disclosed in Note 7.

2 Basis of preparation and adoption of International Financial Reporting Services (“IFRS”)

The consolidated financial statements for the year ended December 31, 2018 are the Group’s first financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by International Accounting Standard Board (“IASB”) that are endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements issued by Saudi Organization for Certified Public Accountant (“SOCPA”) in the Kingdom of Saudi Arabia.

Under the SOCPA approved IFRS conversion plan, all Saudi registered entities except for listed entities are required to adopt IFRS that are endorsed in the KSA for the financial period beginning on or after January 1, 2018. For all prior periods upto and including the year ended December 31, 2017, the Group prepared its financial statements in accordance with the generally accepted accounting principles as issued by SOCPA (“Previous GAAP”).The requirements of IFRS 1 - First Time Adoption of International Financial Reporting Standards, have also been followed which are applicable for the first time preparation of financial statements under IFRSs.

An explanation of how the transition to IFRS has affected the consolidated statement of financial position, consolidated statement of comprehensive income and cash flows are presented in Note 5 and 6.

The Group has elected to present a single statement of comprehensive income and presents its expenses by function.

2.1 Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for the following material items in the consolidated statement of financial position:

- The defined benefit obligation, which is recognized at the present value of future obligations using the Projected Unit Credit Method.
- Biological assets, where fair value is reliably measurable, have been valued at fair value
- Equity investment at fair value through other comprehensive income (“FVOCI”) is measured at fair value.

These consolidated financial statements are presented in Saudi Riyal, which is the functional currency of all the Group entities except for Perfect Foods Factory (“PFF”). The functional currency of PFF is United Arab Emirates Dirhams. The presentation currency of the Group is Saudi Riyals. These consolidated financial statements have been rounded-off to nearest Saudi Riyal, unless otherwise stated.

(All amounts in Saudi Riyals unless otherwise stated)

2 Basis of preparation and adoption of International Financial Reporting Services ("IFRS") (continued)

2.3 Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments issued, but not yet effective up to the date of issuance of the financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

Title	Key requirements	Effective Date	Impact
IFRS 16 Leases	IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases. The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows. The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.	January 1, 2019 Early adoption is permitted only if IFRS 15 is adopted at the same time.	The standard will affect primarily the accounting for the Group's operating leases for lands. As at the reporting date, the Group has operating lease commitments of Saudi Riyals 186.9 million, (see Note 30). The Group has determined that these commitments will result in the recognition of an asset and a liability for an amount of approximately Saudi Riyals 176.1 million for future payments and this will cause the Group's profit to decrease by approximately Saudi Riyals 0.5 million and classification of cash flows from operating to financing for an amount of approximately Saudi Riyals 7.8 million. The Group intends to apply the simplified transitionapproach and will not restate comparative amounts for the year prior to first adoption.
Plan Amendment, Curtailment or Settlement – Amendments to IAS 19	The amendments to IAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must : • calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change • any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling • separately recognise any changes in the asset ceiling through other comprehensive income. January 1, 2019 Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28 The IASB has made limited scope amendments	January 1, 2019	There is no impact on the financial statements of this amendments.

There are no other relevant IFRS or IFRS interpretations that are not yet effective that would be expected to have a material impact on the Group's financial statements.

3 Critical accounting estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, costs, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future period.

These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision period and future periods if the changed estimates affect both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial year include:

3.1 Employment benefits obligations

The cost of post-employment defined benefits are the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates, etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. With respect to determining the appropriate discount rate, yield and duration of high quality bonds obligation, as designated by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. See note 19 for further details.

3.2 Judgement

Biological assets are required to be measured at fair value less cost to sell from the initial recognition of such biological assets up to the point of harvest. Due to absence of an active live broiler market in Kingdom of Saudi Arabia and lack of observable market data, the management have used certain significant assumptions in arriving at the fair valuation of biological assets and its valuation at each subsequent reporting date. Following are the significant assumption taken and limitations encountered in determining the fair value of the poultry flock.

Absence of an active market for live broiler birds in Kingdom of Saudi Arabia, affecting availability of reliable data on frequency of trades, volumes and prices.

- Poultry volume and prices may be affected due to weather conditions, bio security threats and bird immunity impacting bird mortality.

See note 12 for further details.

4 Summary of significant accounting policies

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

4.1 Basis of consolidation

(a) Subsidiaries

These consolidated financial statements comprise the financial statements of the Company and its subsidiaries for all the periods presented. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

4 Summary of significant accounting policies (continued)

4.1 Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interests
- Derecognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss

Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

4 Summary of significant accounting policies (continued)

4.2 Foreign currencies (continued)

4.2 Foreign currencies

(i) Functional and presentation currency
Items included in the consolidated financial statements of the Group are measured using the currency of the primary economic environment in which the respective entity operates (the "functional currency"). The financial statement are presented in Saudi Riyals, which is also the Group's functional currency.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in the Group's statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

4.3 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current / non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Group classifies all other assets as non-current. A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

4 Summary of significant accounting policies (continued)

4.4 Property, plant and equipment

Initial recognition

Property, plant and equipment is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the property, plant and equipment will flow to the Group, and the cost of the asset can be measured reliably. Property, plant and equipment is recognised and measured initially at cost, net of accumulated depreciation and impairment losses, if any. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognised as a provision).

When parts of property, plant and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different than other parts, the Group recognises such parts as individual assets and depreciate them accordingly.

Subsequent measurement

The Group adopts the cost model to measure the entire class of property, plant and equipment. After recognition as an asset, an item of property, plant and equipment is carried as its cost less any accumulated depreciation and impairment losses, if any.

Subsequent expenditure

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation

Useful lives are determined by management based on the expected usage of the asset, expected physical wear and tear, technical and commercial obsolescence, legal and similar limits on the use of the assets and other similar factors. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation is calculated on a straight line basis over the below useful lives and is recognised in statement of comprehensive income:

Category	**Useful life - years**
Buildings	20
Leasehold improvements	6 - 7
Machinery and Equipment	4 - 10
Motor Vehicles	4 - 6.67
Furniture and fixtures	6.67 - 10

De-recognition

Property, plant and equipment is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These ares included in the statement of comprehensive income at the time the item is derecognised.

Capital work-in-progress (CWIP)

Assets in the course of construction or development are capitalised in the CWIP within property, plant and equipment. The asset under construction or development is transferred to the appropriate category in property, plant and equipment, once the asset is in a location and / or condition necessary for it to be capable of operating in the manner intended by management.

The cost of an item of capital work in progress comprises its purchase price, construction / development cost and any other directly attributable to the construction or acquisition of an item intended by management.

4 Summary of significant accounting policies (continued)

4.4 Property, plant and equipment (continued)

Capital work-in-progress is measured at cost less any recognised impairment. Capital work-in-progress is not depreciated. Depreciation only commences when the assets are capable of operating in the manner intended by management, at which point they are transferred to the appropriate asset category.

Borrowing costs

Borrowing costs directly attributable to the acquisition and or construction of property, plant and equipment assets that necessarily take a substantial period of time to prepare for their intended use and a proportionate share of general borrowings, are capitalised to the cost of those property, plant and equipment. All other borrowing costs are expensed as incurred and recognised in finance costs.

4.5 Intangible assets

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses, if any.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category consistent with the function of the intangible asset.

Intangible assets, consisting of computer software, are recorded at cost, net of accumulated amortisation and impairment losses, if any. Intangible assets are amortised on a straight-line basis over 10 years.

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation / amortisation and are instead tested annually for impairment. Assets subject to depreciation / amortisation are reviewed for impairment whenever events or change in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash generating unit).

Non-financial assets that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period. The amount of any reversal is restricted to the carrying value of the relevant assets if the original impairment had not occurred (i.e., after taking into normal depreciation had no impairment occurred).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in pro rata on the basis of the carrying amount of each asset in the unit (group of units).

These reductions in carrying amounts shall be treated as impairment losses on individual assets and recognised.

4.7 Inventories

Inventories are initially recognised at cost or net realisable value (if lower than the cost), net of certain considerations received from vendors. The cost includes import duties, non-refundable taxes, transport and handling costs and any other directly attributable costs less trade discounts, rebates and similar items.

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

4 Summary of significant accounting policies (continued)

4.8 Financial instruments

Classification of financial assets

The Group classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortised cost.

These classifications are on the basis of business model of the Company for managing the financial assets, and contractual cash flow characteristics.

The Group measures financial asset at amortised cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability is the initial recognition amount. Trade receivables are measured at transaction price.

Classification of financial liabilities

The Group designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed and its performance is evaluated on a fair value basis.

All other financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount reported in the statement of financial position where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Reclassifications

Financial assets are reclassified when the Group changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short term or long term. Financial liabilities are not reclassified.

Subsequent measurement

Subsequent measurement of financial assets is as follows:

Debt instruments
Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains / (losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of comprehensive income.

4 Summary of significant accounting policies (continued)

4.8 Financial instruments (continued)

Debt instruments (continued)

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

FVTP: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in statement of comprehensive income and presented net within other gains/(losses) in the period in which it arises.

Equity instruments
The Group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

De-recognition

The Group derecognises a financial asset when, and only when the contractual rights to the cash flows from financial asset expire, or it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial liabilities are derecognised when the obligations specified in the contract is discharged, cancelled or expires. A substantial change in the terms of a debt instrument is considered as an extinguishment of the original liability and the recognition of a new financial liability.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 31 details how the Group determines impairment methodology for other receivables.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

4.9 Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash in hand, bank balances and deposits with original maturities of three months or less, if any. It also includes bank overdrafts which form an integral part of the Group's cash management and are likely to fluctuate from overdrawn to positive balances. Bank overdrafts, where there is no right of set-off, are shown as borrowings within current liabilities.

4.10 Employee benefits and post-employment benefits

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay the amount as a result of past service provided by the employee and the obligation can be estimated reliably.

4 Summary of significant accounting policies (continued)

4.10 Employee benefits and post-employment benefits (continued)

Post-employment obligation

The Group operates a post-employment benefit scheme of defined benefit plans driven by the labour laws requirement in the Kingdom of Saudi Arabia for the Group.

The post-employment benefits plans are not funded. Accordingly, valuations of the obligations under those plans are carried out by an independent actuary based on the projected unit credit method. The costs relating to such plans primarily consist of the present value of the benefits attributed on an equal basis to each year of service and the interest on this obligation in respect of employee service in previous years.

Current and past service costs related to post-employment benefits are recognised immediately in the statement of the comprehensive income while unwinding of the liability at discount rates used are recorded as financial cost. Any changes in net liability due to actuarial valuations and changes in assumptions are taken as re-measurement in the other comprehensive income.

Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are also recognised immediately in the statement of comprehensive income as past service costs.

4.11 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-zakat and tax rate that reflects current market assessments of the time value of money and the risks specific to liability. The increase in the provision due to the passage of time is recognised as interest expense. The expense relating to a provision is presented in the statement of the comprehensive income, net of reimbursements.

4.12 Trade payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using effective interest rate.

4.13 Biological assets

Biological assets include parent chicken (breeder birds), hatchery egss and broilers which are grouped according to their phyical state, transformational capacity, as well as their particular stage in the production process.

Breeder birds
The cost of breeder birds is amortized over a period of 35 weeks from the week they start to lay eggs. The Group uses this method of valuation since fair value cannot be measured reliably as the Group's breeder birds have no market value and there is no active market for the similar assets available in the Kingdom of Saudi Arabia livestock industry. The cost of parent chickens, determined on the basis of the weekly's average expenditure, comprises purchase of the day old chicks ("DOC"), expenses incurred in bringing the DOC's to the farm and expenses incurred in rearing and maintaining the breeders until they start to lay eggs.

Hatchery eggs
The carrying value of egg stock is based on fair value. The fair value measurements for the hatchery eggs have been categorised as Level 3 fair values based on the inputs to the valuation techniques used as there is no active markets for the hatchery eggs. Costs incurred relating to the production of eggs are capitalised during its growing cycle. A fair value adjustment is applied to the cumulative capitalised cost thereof. The fair value adjustment of eggs is determined as the price difference between the sum total of the capitalised cost at point of sale and the price at which the hatching eggs are sold in the external market.

4 Summary of significant accounting policies (continued)

4.13 Biological assets (continued)

Broilers

Broilers are stated at fair value less estimated selling cost. The fair value measurements for the broilers have been categorised as Level 3 fair values based on the inputs to the valuation techniques used as there is no active markets for the broilers. Cost to sell includes all cost that would be necessary to sell the assets.

4.14 Government grants

The Group receives government grants on import of feeds for its biological assets. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are recognized in consolidated statement of comprehensive income on a systematic basis over the periods in which the Group recognizes as expenses the related inventories which the grants are intended to compensate. The government grant accrued during the year has been clubbed under the “cost of revenue”.

4.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and discount. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, can be measured reliably.

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

a) The Group’s performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.
b) The Group’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

Sale of goods:

Revenue from sale of goods is recognised when customers obtain control of products when the goods are delivered to and have been accepted at their premises. Invoices are generated and revenue is recognised at that point in time. Credit invoices are usually payable within 30 - 90 days. Invoice is generated and recognised as revenue net off applicable discounts which relate to the items sold. No customer loyalty points are offered to customers and therefore there is no deferred revenue to be recognised for the items sold.

4 Summary of significant accounting policies (continued)

4.15 Revenue recognition (continued)

Construction of poultry farms:

Revenue recognition from the construction of poultry farm will occur over time, measured based on the percentage of completion method as the customer obtains control of each asset, i.e. separately identifiable performance obligation. A performance obligation is a distinct good or service within a contract that customer can benefit on stand-alone basis. For the Group's contracts, a performance obligation typically means delivery and installation of a single unit. Percentage of completion is defined as the proportion of an individual performance obligation's cost incurred to date from the total estimated costs for that particular performance obligation. If the services rendered by the Group exceed the billing, a contract asset is recognised. If the billing exceed the services rendered, a contract liability is recognised.

For contracts that permit the customer to return an item, under IFRS 15 revenue is recognised to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data. The related liability is recorded in 'Other Payables' under "Accrued and other liablities".

Revenue is measured at the fair value of the consideration received or receivable net of discounts and taxes. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, can be measured reliably.

4.16 General and administrative expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting standards. Allocations between general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

4.17 Selling and distribution expenses

Selling and distribution expenses principally consist of costs incurred in the distribution and selling of the Group's products and services. All other expenses are classified as general and administrative expenses.

4.18 Zakat

The Group is subject to zakat in accordance with the regulations of the General Authority of Zakat and Tax (the "GAZT"). Provision for Zakat is accrued and charged to the statement of comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Group withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

4.19 Leases

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

Group as a lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of comprehensive income.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. The Group assesses at each reporting date whether there is any objective evidence of impairment.

4 Summary of significant accounting policies (continued)

4.19 Leases (continued)

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

4.20 Trade receivable

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30-90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost. Refer Note 4.8 for a description of the group's impairment policies.

4.21 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing net profit or loss attributable to owners of the company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the net profit or loss attributable to owners of the company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

4.22 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 Chief Executive Officer who makes 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 Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4.23 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

4.24 Contributed capital

Contribution from shareholders is classified as equity when there is no obligation to transfer cash or other assets

5 First time adoption of IFRS

As stated in Note 2, the consolidated financial statements have been prepared in compliance with IFRS and IFRS 1 and other standards and pronouncements as endorsed by SOCPA in KSA.

The accounting policies set out in Note 4 have been applied in preparing the consolidated financial statements for the year ended December 31, 2018, the comparative information presented in these financial statements for the year ended December 31, 2017, and in the preparation of an opening IFRS statement of financial position at January 1, 2017 (the Group's date of transition).

In preparing its opening IFRS consolidated statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with accounting standards issued by SOCPA. An explanation of how the transition from SOCPA standards to IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

As part of its transition to IFRS, the Group did not elect for any IFRS transition exemption.

(All amounts in Saudi Riyals unless otherwise stated)

6 Reconciliations

6.1 Reconciliation of statement of financial position as at January 1, 2017 (date of transition to IFRS):

	Note	Previous GAAP as at December 31, 2016	Reclassification	Re-measurement	IFRS as at January 1, 2017 (date of transition)
Assets					
Non-current assets					
Property, plant and equipment	(i)	204,812,719	(3,384,431)	(169,371)	201,258,917
Intangible assets	(i)	1,203,291	3,384,431	-	4,587,722
Investments		53,224,509	(53,224,509)	-	-
Financial assets at fair value through other comprehensive income	(ix)	-	53,224,509	44,450,586	97,675,095
Total non-current assets		259,240,519	-	44,281,215	303,521,734
Current assets					
Inventories	(ii) (viii)	175,886,328	(5,815,212)	1,244,619	171,315,735
Biological assets	(ii)	36,976,728	5,815,212	-	42,791,940
Contract assets	(v) (viii)	-	954,375	(779,935)	174,440
Trade receivables	(iv) (vi) (viii)	144,999,532	-	(373,080)	144,626,452
Prepayments and other receivables	(v)	109,002,628	(6,305,972)	555,647	103,252,303
Cash and cash equivalents		20,122,711	-	-	20,122,711
Total current assets		486,987,927	(5,351,597)	647,251	482,283,581
Total assets		746,228,446	(5,351,597)	44,928,466	785,805,315
Equity					
Share capital		100,000,000	-	-	100,000,000
Contributed capital		47,600,000	-	-	47,600,000
Statutory reserve		13,726,944	-	-	13,726,944
Currency translation differences	(ix)	(2,826,020)	-	2,826,020	-
Financial assets at FVOCI reserve	(ix)	-	-	73,894,870	73,894,870
Accumulated losses		(46,891,222)	-	(35,803,647)	(82,694,869)
Equity attributable to owners of the Company		111,609,702	-	40,917,243	152,526,945
Non-controlling interest		(5,034,810)	-	(55,663)	(5,090,473)
Total equity		106,574,892	-	40,861,580	147,436,472
Liabilities					
Non-current liabilities					
Employee benefits obligations	(iii)	53,446,299	-	3,766,215	57,212,514
Total non-current liabilities		53,446,299		3,766,215	57,212,514
Current liabilities					
Borrowings		339,821,178	1,756,337	-	341,577,515
Trade payables	(vii)	162,255,069	(8,036,164)	-	154,218,905
Accrued and other liabilities	(vii)	76,658,523	928,230	300,671	77,887,424
Zakat provision		7,472,485	-	-	7,472,485
Total current liabilities		586,207,255	(5,351,597)	300,671	581,156,329
Total liabilities		639,653,554	(5,351,597)	4,066,886	638,368,843
Total equity and liabilities		746,228,446	(5,351,597)	44,928,466	785,805,315

(All amounts in Saudi Riyals unless otherwise stated)

6 Reconciliations (continued)

6.1 Reconciliation of statement of financial position as at December 31, 2017:

	Note	Previous GAAP as at December 31, 2017	Reclassification	Re-measurement	IFRS as at December 31 ,2017 (date of transition)
Assets					
Non-current assets					
Property, plant and equipment	(i)	184,593,999	(2,306,773)	-	182,287,226
Intangible assets	(i)	1,023,775	2,306,773	-	3,330,548
Investments		47,523,611	(47,523,611)	-	-
Financial assets at fair value through other comprehensive income	(ix)	-	47,523,611	19,340,594	66,864,205
Total non-current assets		233,141,385	-	19,340,594	252,481,979
Current assets					
Inventories	(ii) (viii)	171,217,531	(5,714,611)	464,249	165,967,169
Biological assets	(ii)	40,527,766	5,714,611	-	46,242,377
Trade receivables	(iv) (vi) (viii)	143,578,817	-	2,706,248	146,285,065
Prepayments and other receivables	(v)	102,576,457	1,803,787	(4,084,687)	100,295,557
Cash and cash equivalents		43,248,954			43,248,954
Total current assets		501,149,525	1,803,787	(914,190)	502,039,122
Total assets		734,290,910	1,803,787	18,426,404	754,521,101
Equity					
Share capital		100,000,000	-	-	100,000,000
Contributed capital		110,924,879	-	-	110,924,879
Statutory reserve		13,726,944	-	-	13,726,944
Currency translation differences	(ix)	(2,808,970)	-	2,808,970	-
Financial assets at FVOCI reserve	(ix)	-	-	43,083,980	43,083,980
Accumulated losses		(127,832,836)	-	(30,701,242)	(158,534,078))
Equity attributable to owners of the Company		94,010,017	-	15,191,708	109,201,725
Non-controlling interest		(9,667,321)	-	(103,939)	(9,771,260)
Total equity		84,342,696	-	15,087,769	99,430,465
Liabilities					
Non-current liabilities					
Employee benefits obligations	(iii)	57,872,501	-	2,813,023	60,685,524
Total non-current liabilities		57,872,501	-	2,813,023	60,685,524
Current liabilities					
Borrowings		346,287,742	2,253,952	-	348,541,694
Trade payables	(vii)	160,992,761	(369,847)	-	160,622,914
Contract labilities		-	763,394	-	763,394
Accrued and other liabilities	(vii)	77,404,981	(843,712)	525,612	77,086,881
Zakat provision		7,390,229	-	-	7,390,229
Total current liabilities		592,075,713	1,803,787	525,612	594,405,112
Total liabilities		649,948,214	1,803,787	3,338,635	655,090,636
Total equity and liabilities		734,290,910	1,803,787	18,426,404	754,521,101

(All amounts in Saudi Riyals unless otherwise stated)

6 Reconciliations (continued)

6.3 Reconciliation of statement of comprehensive income for the year ended December 31, 2017:

	Note	Previous GAAP for the year ended December 31, 2017	Reclassification	Re-measurement	Discontinued operations adjustments (See Note 7)	IFRS for the year ended December 31, 2017
Revenue	(viii)	1,394,454,243	-	1,027,811	(400,284,593)	995,197,461
Government subsidy	(iv)	52,577,881	(52,577,881)	-	-	-
Cost of revenue	(iii), (iv),(vi) (viii)	(1,204,481,171)	52,577,881	(527,699)	365,675,668	(786,755,321)
Gross profit		242,550,953	-	500,112	(34,608,925)	208,442,140
General and administrative expenses	(iii), (iv)	(83,890,788)	865,373	(192,153)	30,436,068	(52,781,500)
Selling and distribution expenses	(iii),(vi)	(223,948,018)	-	(1,412,041)	129,035,986	(96,324,073)
Impairment loss on financial assets	(vii)	-	(865,373)	(440,050)	-	(1,305,423)
Investment income	(ix)	(3,467,948)		3,467,948		-
Other income	(iv),(ix)	2,454,080	-	2,010,551	1,921,130	6,385,761
Operating loss / (profit)		(66,301,721)	-	3,934,367	126,784,259	64,416,905
Finance costs		(16,108,404)	-	49	8,273,000	(7,835,355)
(Loss) / profit before zakat		(82,410,125)	-	3,934,416	135,057,259	56,581,550
Zakat		(3,164,000)	-	-	-	(3,164,000)
(Loss) / profit from continuing operations		(85,574,125)	-	3,934,416	135,057,259	53,417,550
Loss from discontinuing operations		-	-	-	(135,057,259)	(135,057,259)
Loss for the year		(85,574,125)	-	3,934,416	-	(81,639,709)
Loss attributable to:						
Owners of the Company		(80,941,614)	-	4,012,466		(76,929,148)
Non-controlling interests		(4,632,511)	-	(78,050)		(4,710,561)
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Re-measurements of post-employment benefit obligations		-	-	1,119,713	-	1,119,713
Changes in the fair value of equity investments at fair value through other comprehensive income		-	-	(30,810,890)	-	(30,810,890)
Total comprehensive income		(85,574,125)	-	(25,756,761)	-	(111,330,886)
Total comprehensive income attributable to:						
Owners of the Company		(80,941,614)	-	(25,708,485)	-	(106,650,099)
Non-controlling interests		(4,632,511)	-	(48,276)	-	(4,680,787)
		(85,574,125)	-	(25,756,761)	-	(111,330,886)

6 Reconciliations (continued)

6.5 Notes to the impact of transaction to IFRS

(i) Impact of IFRS adoption on property, plant and equipment

Classification
The Group had previously classified software and licenses under 'Machinery and equipment' as part of tangible assets. As per IFRS that are endorsed in the KSA, the Group has reclassified these assets to intangible assets. As a result, property, plant and equipment has decreased by Saudi Riyals 3.4 million and intangibles has increased by Saudi Riyals 3.4 million at January 1, 2017.

As at December 31, 2017 above mentioned adjustment has resulted in decrease in property, plant and equipment by Saudi Riyals 2.3 million and increase in intangibles by Saudi Riyals 2.3 million.

Transfer from CWIP to leasehold improvements
Under previous GAAP, the assets purchased in advance and available for use were classified under CWIP and no depreciation was recognised until the date they were put to actual use. Under IFRS that are endorsed in the KSA depreciation is calculated on such assets from the date when these assets were available for use in accordance with IAS 16.

This has resulted in the decrease in the carrying value of the property, plant and equipment by Saudi Riyals 0.17 million as of January 1, 2017 with the corresponding increase in the accumulated losses. However, there is no impact as at December 31, 2017 as these assets were transferred from CWIP to relevant fixed assets category in 2017 and depreciation charge for the year was recorded.

(ii) Impact of IFRS adoption on Biological assets and inventories

Classification:
The Group had previously classified Eggs used for hatching under 'Inventories'. As per IFRS that are endorsed in the KSA, the Group has reclassified these assets to "Biological assets'. As a result, at transition date inventories has decreased by Saudi Riyals 5.8 million and biological assets has increased by Saudi Riyals 5.8 million.

As at December 31, 2017 above mentioned adjustment has resulted in decrease in inventories by Saudi Riyals 5.7 million and increase in biological assets by Saudi Riyals 5.7 million.

Previously, the Group used to measure its biological assets at cost, however as per IFRS that are endorsed in the KSA, the Group has measured its biological assets at the fair value. The impact of change in the measurement technique from cost to fair value is not material.

(iii) Actuarial valuation

Under previous GAAP, the employee benefits obligations were calculated at the current value of the vested benefits to which the employee is entitled to at the date of the statement of financial position. Under IFRS that are endorsed in the KSA, such benefits are classified as a defined plan and are required to be calculated using the projected unit credit method ''PUCM'' which involves an actuarial valuation. The Group has undertaken actuarial valuations on the date of transition into IFRS which resulted in an increase in the liabilities by Saudi Riyals 3.8 million with the corresponding increase in the accumulated losses as at January 1, 2017.

The Group has also undertaken actuarial valuation as at December 31, 2017 which resulted in an increase in the liabilities of Saudi Riyals 2.8 million and increase in other comprehensive income by Saudi Riyals 1.1 million, increase in General and administrative expenses by Saudi Riyals 0.2 million, decrease in cost of revenue by Saudi Riyals 0.03 million.

(iv) Impact of IFRS adoption on Government grants

Government grant for Human Resource Development Fund ("HRDF"):
The Group receives grant from the Government when the Group provides the training to the nationals of Kingdom of Saudi Arabia.Under previous GAAP, the Group recognized such grants only on receipt basis. Under IFRS that are endorsed in the KSA, Government grants are recognised when there is reasonable assurance that the entity will comply with the relevant conditions and the grant will be received. This has resulted in the recognition of amount due from government amounting to Saudi Riyals 0.84 million which has led to increase in prepayments and other receivables and corresponding decrease in accumulated losses as of January 1, 2017 which was previously recorded on receipt basis in the year 2017. This has further led to increase in the prepayments and other receivable by Saudi Riyals 1.16 million as of December 31, 2017 and increase in the other income by Saudi Riyals 0.5 million for the year ended December 31, 2017.

Government grant on import of raw material:
Under IAS 20, grants from government are recognised in profit or loss on a systematic basis as the entity recognizes as expenses the costs that the grants are intended to compensate. An entity chooses a presentation format, to be applied consistently, either to offset a grant related to income against the related expenditure or to include it in other income. Hence the Group has chosen to reclassify the government subsidy to cost of revenue which was previously classified as "Government subsidy" in the statement of comprehensive income. This has led to decrease in the cost of revenue for the year ended December 31, 2017 by Saudi Riyals 53 million.

6 Reconciliations (continued)

6.5 Notes to the impact of transaction to IFRS

(v) Contract assets

The Group had previously classified unbilled revenue as part of prepayments and other receivables and billing in excess of cost and estimated earnings as a part of accrued and other liabilities. As per IFRS that are endorsed in the KSA, the Group has reclassified these assets to contract assets as of January 1, 2017 amounting to Saudi Riyals 0.95 million. Similarly, the Group has reclassified the above mentioned liability to contract liabilities as of December 31, 2017 amounting to Saudi Riyals 0.77 million.

(vi) Impact of IFRS adoption on Leasing arrangements

Under previous GAAP, rent expense for stores, farms and poultry houses were charged after the expiry of the rent free period based on agreed amounts for each year that are entailed in the contract. Under IFRS that are endorsed in the KSA, The lease term commences when the lessee is entitled to start using the leased asset. The lease term includes the non-cancellable period of the contract and any further periods for which the lessee has an option to continue to lease the asset and for which, at the time of inception of the lease, it is judged reasonably certain that the lessee will exercise that option. Furthermore, the lessee recognizes the rent expense on straight line basis over the lease term.

This has resulted in decrease in prepayments and other receivables by Saudi Riyals 1.4 million with the corresponding increase in the accumulated losses as at January 1, 2017. This has further reduced the prepayments and other receivable by Saudi Riyals 3.7 million as of December 31, 2017 and increase in selling and distribution expense by Saudi Riyals 1.4 million for the year 2017 and cost of revenue will be decreased by Saudi Riyals 0.23 million.

(vii) Impact of IFRS on Impairment loss on trade receivables

Under previous GAAP, the provision for impairment of receivables consists of both a specific amount for incurred losses and general amount for expected future losses. Under IFRS that are endorsed in the KSA, replaces the ‘incurred loss’ model with an ‘expected credit loss’ (ECL) model. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is ‘credit-impaired’ when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade receivables are presented separately in the profit and loss statement. As a result, the Group reclassified impairment losses amounting to Saudi Riyals 0.87 million from ‘General and administrative expenses’ to ‘Impairment loss on financial assets” in the Statement of comprehensive Income for the year ended December 31, 2017. Furthermore, due to adoption of IFRS, the Group has also reduced its provision of Saudi Riyals 2.3 million as of January 1, 2017 which has resulted in increase in the “Trade and other receivables” with the corresponding decrease in the accumulated losses as at January 1, 2017. Further, for the year ended December 31, 2017, the Group has increased its provision towards the trade receivable balance by Saudi Riyals 0.4 million which has resulted in increase the “Impairment loss on financial assets”.

The above adjustments resulted in net increase of the ‘Trade receivables’ by Saudi Riyals 1.9 million as at December 31, 2017.

(viii) Impact of IFRS on revenue recognition

Sales return
Under IFRS 15, on the date of transition, in case of sales with a right of return, revenue is recognised at the amount to which an entity is expected to be entitled by applying the variable considerations and related constraints. Therefore, the amount of revenue recognised is adjusted for expected returns, which is estimated based on the historical data. Accordingly, revenue from sales with a right of return shall be recognised as follows:

- Revenue: At gross transaction price, less the expected level of returns and related constraints
- Refund liability is created based on the estimated return amount.
- Inventory to be increased by the carrying amount of the goods which are estimated to be returned by the customer.
- Cost of goods sold measured as the carrying amount of the products sold less the inventory, as mentioned above.

As a result of above, the ‘Inventories” of the Group has increased by Saudi Riyals 0.2 million and the ‘Accrued and other liabilities’ has increased by Saudi Riyals 0.3 million as of January 1, 2017. The net impact of these two amounts has led to increase in the accumulated losses as of January 1, 2017. Further, the ‘Inventories” has increased by Saudi Riyals 0.27 million and ‘Accrued and other liabilities’ has increased by Saudi Riyals 0.3 million as of December 31, 2016. Also the ‘Revenue’ has increased by Saudi Riyals 0.4 million and the ‘Cost of revenue’ has increased by Saudi Riyals 0.3 million for the year ended December 31, 2017.

6 Reconciliations (continued)

6.5 Notes to the impact of transaction to IFRS

(viii) Impact of IFRS on revenue recognition (continued)

Uninstalled equipment
Under IFRS 15, on the date of transition, in which an entity recognizes revenue over time using input method of percentage of completion, costs of uninstalled equipment should be excluded from the total costs incurred on the contract. Installation for equipment / inventories dispatched during the last month of the period to customer site was started in the next month. Accordingly, costs of such uninstalled items and related profit were reversed from cost of goods sold and revenue, respectively using project costs breakup in relation to the ongoing projects.

As a result of above, the Inventories of the Group has increased by Saudi Riyals 0.98 million and the contract assets has decreased by Saudi Riyals 0.78 million and trade receivable has decreased by Saudi Riyals 0.5 million as of January 1, 2017. The net impact of all these amounts has led to decrease in the accumulated losses as of January 1, 2016. Further, the 'Inventories" has increased by Saudi Riyals 0.15 million and 'Trade receivable' has decreased by Saudi Riyals 0.2 million as of December 31, 2017. Also the 'Revenue' has decrease by Saudi Riyals 1.1 million and the 'Cost of revenue' has decreased by Saudi Riyals 0.83 million for the year ended December 31, 2017.

Sale of goods at CIF basis
Under IFRS 15, revenue should be recognized when an entity typically satisfies its performance obligations. Hence revenue from sale of goods on CIF terms should be recognised only when goods reach customer and are accepted by the customer. Accordingly the revenue from the shipment which has not reached to the customer premises should be reversed along with its related cost.

As a result of above, the 'Inventories" of the Group has increased by Saudi Riyals 0.03 million and the trade receivable has decreased by Saudi Riyals 0.04 as of January 1, 2017. The net impact of these two amounts has led to increase in the accumulated losses as of January 1, 2017.

(ix) Fair valuation and classification of investments

Under previous GAAP, the 5% investment in Red Sea International Company ("Red Sea") was accounted for as an associate and equity accounting method was applied since the Group had significant influence through ownership of interest in Red Sea by other Dabbagh group companies. However as per IFRS that are endorsed in the KSA, such investment cannot be accounted as an associate since there is no significant influence of the Group on the Red Sea. Further, this investment along with the other equity investments which were classified as "available for sale investment" in previous GAAP are not held by the Group for trading and the Group has irrevocably elected at initial recognition to recognize such investment at fair value through other comprehensive income. The balance in the currency translation difference as of January 01, 2017 and December 31, 2017 will be reversed. Further, the difference between the carrying value of the investment and the cost of the investment amounting to Saudi Riyals 32 million as of December January 1, 2017 has been reversed in the accumulated losses.

Reclassification of investments
All equity investment has been classified as "Financial assets at fair value through other comprehensive income" under the IFRS that are endorsed in the KSA. The Group has reclassified all this investments to "Financial assets at fair value through other comprehensive income" as of January 01, 2017 and December 31 2017 amounting to Saudi Riyals 53.2 million and Saudi Riyals 47.5 million respectively. Further the share of currency translation difference in the Red Sea has been netted off with the financial assets at FVOCI reserve as of January 01, 2017 and December 31, 2017.

Dividend and investment income
The dividend received from Red Sea of Saudi Riyals 2.25 million for the year ended December 31, 2017 which was further netted off from the investment value due to equity accounting has been recognised now under other income and the investment value has been increased by the same amount.

The share of loss from the investment in Red Sea which was previously recorded under investment income has been reversed in the year 2017, since the investment has no more remain associate as it has been classified as "financial assets at fair value through other comprehensive income."

Impact of fair valuation
As per IFRS that are endorsed in KSA, the financial assets at fair value through other comprehensive income needs to be fair valued at the end of each reporting period. Hence the above investments has been fair valued as of January 01, 2017 and December 31, 2017. The difference between the fair value and the cost of the investments of Saudi Riyals 73.67 million as of January 1, 2017 has been netted off with the financial assets at FVOCI reserve. Furthermore, for the year ended December 31, 2016, the difference between the fair value and book value of the investment of Saudi Riyals 30.81 million has been taken to the reserve "financial assets at FVOCI."

(All amounts in Saudi Riyals unless otherwise stated)

6 Reconciliations (continued)

6.5 Notes to the impact of transaction to IFRS

(x) Statement of cash flows

Impact of IFRS adoption on the consolidated statement of cash flows for the year ended December 31, 2017

	Previously reported as per Previous GAAP for the year ended December 31, 2017	Impact of transition to IFRS	Amounts as per IFRS for the year ended December 31, 2017
Net cash flows from operating activities	(34,712,096)	134,381	(34,577,715)
Net cash flows from investing activities	(11,953,104)	(134,381)	(12,087,485)
Net cash flows from financing activities	69,791,443	36,796,960	106,588,403
Net change in cash and cash equivalents	23,126,243	36,796,960	59,923,203
Cash and cash equivalents, beginning of the period	20,122,711	(41,926,691)	(21,803,980)
Cash and cash equivalents, end of the period	43,248,954	(5,129,731)	38,119,223

Under previous GAAP, for the purpose of cash flow statement, cash and cash equivalents comprises of cash in hand and cash at banks. However under IFRS that are endorsed in the KSA, cash and cash equivalents includes cash in hand, cash at banks and bank overdraft.

(xi) Reclassification

For better presentation, following reclassifications have been made in the comparative financial statements as of January 1, 2017 and December 2017 to conform the presentation for 2018:

(i) Advance to suppliers amounting to Saudi Riyals 5.4 million and Saudi Riyals 1.8 million has been reclassified from “Trade payable” to be presented under “Prepayments and other receivables” as of January 1, 2017 and December 31, 2017 .

(ii) “Interest payable” amounting to Saudi Riyals 1.8 million and Saudi Riyals 2.2 million has been reclassified from “Accrued and other liabilities” to be presented under “Borrowings” as of January 01, 2017 and December 31, 2017.

(iii) “Advance from customers” amounting to Saudi Riyals 2.6 million and Saudi Riyals 2.1 has been reclassified from “Trade payable” to be presented under “Accrued and other liabilities” as of January 1, 2017 and December 31, 2017.

(All amounts in Saudi Riyals unless otherwise stated)

7 Interests in other entities

7.1 Material subsidiaries

The Group's principal subsidiaries at December 31, 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation is also their principal place of business.

Subsidiary	Country of incorporation	Effective ownership at December 31,		Ownership interest held by non-controlling interests		Principal activities
		2018	2017	2018	2017	
Agricultural Development Company Limited ("ADC")	Saudi Arabia	**100%**	96%	**-**	4%	Wholesale trading in poultry products and agricultural produce
Supreme Foods Processing Company Limited ("SFPC")	Saudi Arabia	**100%**	96%	**-**	4%	Manufacturing and preparation of various types of meat products.
Desert Hills Veterinary Services Company Limited ("DHV")	Saudi Arabia	**100%**	96%	**-**	4%	Wholesale and retail trading in machines and equipment in the field of animal care, animal shelters, animal feed, chicks and hatching eggs, veterinary lab equipment and medicines, along with marketing and import and export of related items.
Perfect Foods Factory LLC ("PFF")	United Arab Emirates	**100%**	100%	**-**	-	Manufacturing and sale of meat and poultry products
Qeemah and Dukan for Groceries Company Limited ("Dukan")	Saudi Arabia	**-**	95%	**-**	5%	Wholesale and retail of foodstuff, home appliances and all types of accessories of homes, vehicles and sports materials.
Dabbagh International (UAE) (L.L.C) ("DI")	United Arab Emirates	**100%**	100%	**-**	-	
Tanmiah Foods Company ("Tanmiah")	Saudi Arabia	**96%**	96%	**4%**	4%	Wholesale trading in poultry products and agricultural produce

During the year, the Company disposed of its investments in Dukan, see further details in Note 7.4.

(All amounts in Saudi Riyals unless otherwise stated)

7 Interests in other entities (continued)

7.2 Non-controlling interests (NCI)

Set out below is summarized financial information for each subsidiary that has non-controlling interests and which are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarized balance sheet	**ADC**	**DHV**	**SFPC**	**PFF**	**Dukan**	**Tanmiah**
December 31, 2018						
Current assets	**461,936,754**	**128,820,359**	**77,190,720**	**71,520,200**	**-**	**50,000**
Current liabilities	**366,275,833**	**71,786,374**	**30,013,382**	**76,745,083**	**-**	**65,000**
Current net assets / (liabilities)	**95,660,921**	**57,033,985**	**47,177,338**	**(5,224,883)**	**-**	**(15,000)**
Non-current assets	**68,351,470**	**457,419**	**46,981,929**	**48,714,477**	**-**	**-**
Non-current liabilities	**28,656,911**	**5,518,431**	**4,675,201**	**1,953,943**	**-**	**-**
Non-current net assets / (liabilities)	**39,694,559**	**(5,061,012)**	**42,306,728**	**46,760,534**	**-**	**-**
Net assets / (liabilities)	**135,355,480**	**51,972,973**	**89,484,066**	**(5,224,883)**	**-**	**(15,000)**
Accumulated NCI	**-**	**-**	**-**	**-**	**-**	**(600)**

Summarized balance sheet	**ADC**	**DHV**	**SFPC**	**PFF**	**Dukan**	**Tanmiah**
December 31, 2017						
Current assets	380,441,684	103,315,077	71,778,759	57,784,902	64,606,765	50,000
Current liabilities	339,019,050	53,696,115	36,540,240	75,261,226	197,647,889	70,000
Current net assets / (liabilities)	41,422,634	49,618,962	35,238,519	(17,476,324)	(133,041,124)	(20,000)
Non-current assets	69,418,812	550,598	41,361,015	53,090,876	43,882,390	-
Non-current liabilities	26,119,317	6,244,528	3,939,143	1,436,428	7,752,337	-
Non-current net assets / (liabilities)	43,299,495	(5,693,930)	37,421,872	51,654,448	36,130,053	-
Net assets / (liabilities)	84,722,129	43,925,032	72,660,391	34,178,124	(96,911,071)	(20,000)
Accumulated NCI	3,388,885	1,757,001	2,906,360	-	(17,822,706)	(800)

(All amounts in Saudi Riyals unless otherwise stated)

7 Interests in other entities (continued)

7.2 Non-controlling interests (NCI)

Summarized balance sheet	**ADC**	**DHV**	**SFPC**	**PFF**	**Dukan**	**Tanmiah**
December 31, 2016						
Current assets	339,195,297	99,730,371	65,485,062	61,563,257	58,171,660	50,000
Current liabilities	325,841,884	59,400,903	42,739,796	90,197,603	144,115,980	35,000
Current net assets / (liabilities)	13,353,413	40,329,468	22,745,266	(28,634,346)	(85,944,320)	15,000
Non-current assets	72,892,651	638,881	36,342,348	57,419,518	54,232,265	-
Non-current liabilities	25,564,682	7,061,459	3,442,058	1,269,142	4,756,446	-
Non-current net assets / (liabilities)	47,327,969	(6,422,578)	32,900,290	56,150,376	49,475,819	-
Net assets / (liabilities)	60,681,382	33,906,890	55,645,556	27,516,030	(36,468,501)	15,000
Accumulated NCI	2,427,255	1,356,276	2,225,822	-	(11,100,426)	600

Summarized statement of comprehensive income	**ADC**	**DHV**	**SFPC**	**PFF**	**Dukan**	**Tanmiah**
For the year ended December 31, 2018						
Revenue	**702,842,774**	**195,842,459**	**144,915,782**	**137,489,880**	**-**	**-**
Profit / (loss) for the year	**52,642,558**	**8,283,736**	**16,916,318**	**7,357,527**	**-**	**(30,000)**
Other comprehensive income	**(545,060)**	**(235,795)**	**(92,643)**	**-**	**-**	**-**
Total comprehensive income	**52,097,498**	**8,047,941**	**16,823,675**	**7,357,527**	**-**	**(30,000)**
Income allocated to NCI	**-**	**-**	**-**	**-**	**-**	**(1,200)**
Total comprehensive income allocated to NCI	**-**	**-**	**-**	**-**	**-**	**(1,200)**

Summarized statement of comprehensive income	**ADC**	**DHV**	**SFPC**	**PFF**	**Dukan**	**Tanmiah**
For the year ended December 31, 2017						
Revenue	611,344,762	234,830,661	149,328,720	134,042,358	400,284,593	-
Profit / (loss) for the year	23,702,389	10,225,732	17,165,778	6,662,094	(135,057,259)	(35,000)
Other comprehensive income	338,358	(207,590)	(150,943)	-	611,634	-
Total comprehensive income	24,040,747	10,018,142	17,014,835	6,662,094	(134,445,625)	(35,000)
Income allocated to NCI	948,096	409,029	686,631	-	(6,752,863)	(1,400)
Total comprehensive income allocated to NCI	961,630	400,726	680,538	-	(6,722,281)	(1,400)

(All amounts in Saudi Riyals unless otherwise stated)

7 Interests in other entities (continued)

7.2 Non-controlling interests (NCI) (continued)

Summarized cash flows	ADC	DHV	SFPC	PFF	Dukan	Tanmiah
For the year ended December 31, 2018						
Cash flows from operating activities	**38,995,302**	**(12,775,763)**	**(13,865,438)**	**7,711,947**	**-**	**-**
Cash flows from investing activities	**(9,714,259)**	**(6,800)**	**(512,332)**	**(1,651,610)**	**-**	**-**
Cash flows from financing activities	**(41,384,462)**	**13,450,193**	**11,977,752**	**(5,616,080)**	**-**	**-**
Net increase in cash and cash equivalents	**(12,103,419)**	**667,630**	**(2,400,018)**	**444,257**	**-**	**-**

Summarized cash flows	ADC	DHV	SFPC	PFF	Dukan	Tanmiah
For the year ended December 31, 2017						
Cash flows from operating activities	3,516,267	6,936,560	(592,459)	19,765,686	(41,798,103)	-
Cash flows from investing activities	(7,492,673)	(47,421)	(773,543)	(2,724,922)	(2,878,110)	-
Cash flows from financing activities	18,437,473	(4,763,731)	2,136,766	(18,458,600)	51,956,680	-
Net increase in cash and cash equivalents	14,461,067	2,125,408	770,764	(1,417,836)	7,280,467	-

7 Interests in other entities (continued)

7.3 Transactions with non-controlling interests

On January 1, 2018, the Company acquired an additional 4% of the issued shares of ADC, DHV and SFPC for Saudi Riyals 8,052,302 at its book value as of that date. The legal formalities related to these have been completed subsequent to year end. The effect on the equity attributable to the owners of SFC during the year is summarised as follows:

	December 31, 2018	December 31, 2017
Carrying amount of non-controlling interests acquired	**8,052,302**	-
Consideration payable to non-controlling interests	**(8,052,302)**	-
Excess of consideration paid recognised in the transactions with non-controlling interests reserve within equity	**-**	-

(All amounts in Saudi Riyals unless otherwise stated)

7.4 Details of the sale of subsidiary

On January 1, 2018 the Company disposed its complete investment in Dukan to Al Dabbagh Group Holding Company ("ADGHC"), the ultimate parent company at its book value. The book value of the identifiable net liabilities of Dukan as of the date of disposal was Saudi Riyals 78 million representing the transaction price. For carrying value of the assets and liabilities of Dukan as of January 1, 2018, refer the table below.

	December 31, 2018	December 31, 2017
Consideration paid or payable	77,857,529	-
Carrying amount of net assets sold	(77,857,529)	-
Gain on disposal	-	-

The carrying amounts of assets and liabilities as at the date of sale (January 1, 2018) were:

	January 1, 2018
Cash and cash equivalent	12,251,812
Inventories	27,769,562
Prepayments and other receivables	24,585,391
Property plant and equipment, net	43,323,759
Intangible assets, net	558,631
Total assets	108,489,155
Trade payable	(160,646,392)
Borrowings	(24,989,136)
Accrued and other liabilities	(12,015,817)
Employee benefits obligations	(6,519,501)
Total liabilities	(204,170,846)
Net liabilities	(95,681,691)
Non-controlling interest	17,824,162
Carrying amount of net assets sold	(77,857,529)

Details of loss from the discontinued operations for the year ended December 31, 2017 as follows:

	December 31, 2017
Revenues	400,284,593
Expenses, net	(535,341,852)
Loss before zakat	(135,057,259)
Zakat	-
Loss from discontinued operation	(135,057,259)
Re-measurements of post-employment benefit obligations	611,634
Other comprehensive income from discontinued operations	611,634

(All amounts in Saudi Riyals unless otherwise stated)

8 Property, plant and equipment

	Land	Building	Leasehold improvements	Machinery and equipment	Motor vehicles	Furniture and fixtures	Capital work in progress	Total
Cost								
At January 1, 2017	26,922,512	93,729,244	62,720,053	241,456,288	35,353,833	5,983,265	3,254,879	469,420,074
Additions	-	421,800	1,243,522	10,350,111	-	89,146	2,242,688	14,347,267
Transfers	-	-	1,089,440	391,077	-	(560,751)	(919,766)	-
Impairment	-	-	(3,673,936)	-	-	-	-	(3,673,936)
Write-off	-	-	(667,540)	-	-	-	-	(667,540)
Disposals	-	-	-	(8,395)	(56,000)	-	-	(64,395)
At December 31, 2017	26,922,512	94,151,044	60,711,539	252,189,081	35,297,833	5,511,660	4,577,801	479,361,470
Additions	**-**	**1,489,829**	**544,531**	**6,307,581**	**142,330**	**52,128**	**3,489,869**	**12,026,268**
Transfers	**-**	**-**	**-**	**2,242,688**	**-**	**-**	**(2,242,688)**	**-**
Write-off	**-**	**(79,427)**	**(6,007,347)**	**(42,642,251)**	**(14,983,838)**	**(2,714,446)**	**-**	**(66,427,309)**
Disposals	**-**	**-**	**-**	**(352,365)**	**(131,835)**	**-**	**-**	**(484,200)**
Disposal of a subsidiary	**-**	**-**	**(39,157,286)**	**(21,515,940)**	**-**	**(289,749)**	**(2,017,718)**	**(62,980,693)**
At December 31, 2018	**26,922,512**	**95,561,446**	**16,091,437**	**196,228,794**	**20,324,490**	**2,559,593**	**3,807,264**	**361,495,536**
Accumulated depreciation								
At January 1, 2017	-	45,688,680	20,460,804	162,488,441	34,794,956	4,728,276	-	268,161,157
Depreciation	**-**	3,105,347	5,926,270	20,354,276	233,493	232,325	-	29,851,711
Impairment	**-**	-	(793,189)	-	-	-	-	(793,189)
Write-off	**-**	-	(84,721)	-	-	-	-	(84,721)
Disposals	**-**	-	-	(4,714)	(56,000)	-	-	(60,714)
At December 31, 2017	-	48,794,027	25,509,164	182,838,003	34,972,449	4,960,601	-	297,074,244
Depreciation	**-**	**3,097,417**	**1,550,824**	**13,607,097**	**259,510**	**133,976**	**-**	**18,648,824**
Write-off	**-**	**(78,819)**	**(6,004,125)**	**(42,624,464)**	**(14,973,779)**	**(2,703,627)**	**-**	**(66,384,814)**
Disposals	**-**	**-**	**-**	**(350,020)**	**(131,835)**	**-**	**-**	**(481,855)**
Disposal of a subsidiary	**-**	**-**	**(8,496,288)**	**(11,087,689)**	**-**	**(72,957)**	**-**	**(19,656,934)**
At December 31, 2018	**-**	**51,812,625**	**12,559,575**	**142,382,927**	**20,126,345**	**2,317,993**	**-**	**229,199,465**
Net book amount								
At December 31, 2017	**26,922,512**	**45,357,017**	**35,202,375**	**69,351,078**	**325,384**	**551,059**	**4,577,801**	**182,287,226**
At December 31, 2018	**26,922,512**	**43,748,821**	**3,531,862**	**53,845,867**	**198,145**	**241,600**	**3,807,264**	**132,296,071**

Capital work in progress represents cost incurred on expansion of the current capacity of the processing plant and the construction of waste water recycling plant.

Depreciation for the year has been allocated as follows:

	Note	December 31, 2018	December 31, 2017
Cost of revenues	26	**17,072,039**	18,267,939
General and administrative expenses	27	**218,246**	147,908
Selling and distribution expenses	28	**1,358,539**	11,435,864
		18,648,824	29,851,711

(All amounts in Saudi Riyals unless otherwise stated)

9 Intangible assets

	Computer software
Cost	
At January 1, 2017	**14,567,239**
Additions	5,900
At December 31, 2017	**14,573,139**
Disposal of a subsidiary	(741,299)
At December 31, 2018	**13,831,840**
Accumulated amortization	
At January 1, 2017	**9,979,517**
Amortisation	1,263,074
At December 31, 2017	**11,242,591**
Amortisation	811,271
Disposal of a subsidiary	(182,668)
At December 31, 2018	**11,871,194**
Net book amount	
At December 31, 2017	3,330,548
At December 31, 2018	**1,960,646**

10 Financial assets at fair value through other comprehensive income

10.1 Classification of financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income (FVOCI) comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

10.2 Equity investments at fair value through other comprehensive income

Equity investments at FVOCI comprise the following individual investments:

	December 31, 2018	December 31, 2017	January 1, 2017
Listed securities			
Red Sea International Company	**47,700,000**	57,360,000	88,500,000
Unlisted securities			
Pure Breed Company	**-**	7,730,222	7,401,112
Alexandria Copenhagen Company	**773,983**	773,983	773,983
Saed International for Istiqdam Company (“Saed”)	**-**	1,000,000	1,000,000
	773,983	9,504,205	9,175,095
	48,473,983	66,864,205	97,675,095

10.3 Amounts recognised in profit or loss and other comprehensive income

The following gains / (losses) were recognised in profit or loss and other comprehensive income.

	Note	December 31, 2018	December 31, 2017
Loss recognised in other comprehensive income		**(9,577,722)**	(30,810,890)
Dividends from equity investments held at FVOCI recognised in profit or loss in other income	29	**-**	2,250,000

(All amounts in Saudi Riyals unless otherwise stated)

10 Financial assets at fair value through other comprehensive income (continued)

10.4 Fair value and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 31.

10.5 Disposal of equity investments

During the year 2018, the Group has sold its shares in Pure Breed Company to a third party for Saudi Riyals 7,812,500 and the Group realised a gain of Saudi Riyals 82,278 which has already been included in other comprehensive income. The relating FVOCI reserve of Saudi Riyals 6.7 million transferred to retained earnings. Also during the year 2018, the Group disposed its investment in Saed to ADGHC at its carrying value.

11 Inventories

	December 31, 2018	December 31, 2017	January 1, 2017
Finished goods	**15,691,553**	44,114,061	50,198,940
Poultry meats and other foods stuff	**15,299,605**	17,664,792	28,047,096
Animal health product	**16,228,071**	15,595,951	23,559,858
Raw materials	**43,376,501**	48,158,815	43,052,362
Goods in transit	**34,572,994**	20,559,091	561,125
Packaging material	**9,188,343**	13,863,220	17,323,694
Equipment for sale	**4,217,621**	5,314,980	7,305,533
Spare parts	**7,402,677**	5,686,466	3,642,326
Other	**3,744,550**	3,878,130	2,883,593
Less: Provision for slow moving inventories	**(4,516,019)**	(8,868,337)	(5,258,792)
	145,205,896	165,967,169	171,315,735

Amounts of inventories recognised as an expense in disclosed in Note 26.

Movement in provision of slow moving inventories:

	December 31, 2018	December 31, 2017
January 1	**8,868,337**	5,258,792
Disposal of subsidiary	**(450,000)**	-
Additions	**(1,568,690)**	3,957,551
Write-offs	**(2,333,628)**	(348,006)
December 31	**4,516,019**	8,868,337

12 Biological assets

	December 31, 2018	December 31, 2017
January 1	**46,242,377**	42,791,940
Increase due to purchases	**604,779,662**	497,972,334
Amortization	**(42,751,988)**	(38,911,942)
Transfer to inventory	**(552,444,470)**	(455,609,955)
December 31	**55,825,581**	46,242,377
Biological assets:		
Broiler chicks	**18,797,974**	14,048,284
Breeder – rearing & production	**29,289,701**	26,479,482
Hatchery eggs	**7,737,906**	5,714,611
	55,825,581	46,242,377

As at December 31, 2018 the Group had 6.6 million broiler chicks (December 31, 2017: 5.2 million broiler chicks). Further, 72.9 million broiler chicks were slaughtered during the year ended December 31, 2018 (December 31, 2017: 57.8 million). As at December 31, 2018 the Group had 1.1 million breeder birds and 4.1 million hatchery eggs (December 31, 2017: 0.87 million breeder birds and 4.1 million hatchery eggs).

(All amounts in Saudi Riyals unless otherwise stated)

12 Biological assets (continued)

The fair value measurements for the biological assets have been categorised as Level 3 in the fair value hierarchy based on the inputs to the valuation techniques used. Valuation techniques and significant unobservable inputs used for valuation of biological assets are as below:

Biological assets	Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Live broiler birds	Fair value: The valuation model considers the average live weight of bird, mortality and the estimated selling price less cost to sell [including the additional cost required to bring the birds as ready to sell (i.e. feed cost, medicines and overhead)].	- Mortality of birds - Average weight of birds - Sales price of fully grown bird less cost to sell.	The estimated fair value would increase/ (decrease) if: Mortality was lower / (higher). Average weight of birds higher/ (lower). Selling price of fully grown bird less cost to sell was higher/ (lower).

The Group's finance department includes a team that performs the valuations of the Group's biological assets for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every six months, in line with the Group's half-yearly reporting requirements.

The main level 3 inputs used by the Group are derived and evaluated as follows:

- Mortality rate of the birds have been determined based on the historical rate and environmental factors.

- The broilers grow at different rates and there can be a considerable spread in the quality and weight of broilers that affects the price achieved. An average weight is assumed for the slaughter broiler livestock that are not yet at marketable weight.

13 Assets and liabilities related to contracts with customers

The Group has recognised the following assets and liabilities related to contracts with customers:

	December 31, 2018	**December 31, 2017**	**January 1, 2017**
Contract assets relating to the construction of poultry farms	**276,557**	-	174,440
Total contract assets	**276,557**	-	174,440
Contract liabilities relating to the construction of poultry farms	**-**	763,394	-
Total contract liabilities	**-**	763,394	-

All the construction of poultry farm contracts are for period of one year or less or are billed based on time incurred.

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities:

	December 31, 2018	**December 31, 2017**
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Construction of poultry farms	**763,394**	-

(All amounts in Saudi Riyals unless otherwise stated)

14 Trade receivables

	Note	December 31, 2018	December 31, 2017	January 1, 2017
Trade receivables		**161,908,611**	157,744,925	161,142,900
Due from related parties	24	**200,810,921**	602,810	957,598
		362,719,532	158,347,735	162,100,498
Less: provision for impairment of receivables		**(11,664,527)**	(12,062,670)	(17,474,046)
		351,055,005	146,285,065	144,626,452

Trade receivables are non-derivatives financial assets carried at amortised cost and are generally on terms of 30 to 90 days. The carrying value may be affected by changes in the credit risk of the counterparties. It is not the practice of the Group to obtain collateral over third party trade receivables and these are, therefore, unsecured. The vast majority of the Group's trade receivables are concentrated in the Kingdom of Saudi Arabia. As at December 31, 2018, five largest customers account for 23% (December 31, 2017: 19%) of the outstanding accounts receivables. Due to short term nature of the trade receivable, their carrying amount is considered to be the same as their fair value.

The Group writes off financial assets, in a whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The Group establishes that there is no reasonable expectation of the recovery once they are not subject to enforcement activity.

Trade receivables written off during the year ended December 31, 2018 and 2017 are not subject to enforcement activity.

Movement in provision of trade receivables:

	December 31, 2018	December 31, 2017
January 1	**12,062,670**	17,474,046
Additions / (reversals)	**2,117,792**	1,305,423
Write-offs	**(2,515,935)**	(6,716,799)
December 31	**11,664,527**	12,062,670

15 Prepayments and other receivables

	December 31, 2018	December 31, 2017	January 1, 2017
Government subsidy receivable	**27,174,213**	40,872,648	41,382,318
Advance to suppliers	**15,314,429**	20,058,831	15,810,217
Prepaid expenses	**25,337,209**	32,955,980	37,221,430
Employees' receivable	**2,564,725**	3,684,224	5,943,871
Other receivable	**1,200,816**	2,723,874	2,894,467
	71,591,392	100,295,557	103,252,303

The Group receives a subsidy from the Ministry of Finance for purchasing certain raw materials for its feed mills. Government subsidy receivable and employees' receivable generally get settled within 12 months from the reporting date. Hence, the fair value of these balances are considered to be the same as their carrying values, due to their short-term nature.

Movements in government subsidy receivable are as follows:

	December 31, 2018	December 31, 2017
January 1	**40,872,648**	41,382,318
Additions	**39,004,162**	52,577,881
Collections	**(52,702,597)**	(53,087,551)
December 31	**27,174,213**	40,872,648

(All amounts in Saudi Riyals unless otherwise stated)

16 Cash and cash equivalents

	December 31, 2018	December 31, 2017	January 1, 2017
Cash at banks	**18,508,284**	37,904,361	12,499,511
Cash in hand	**4,262,223**	5,344,593	7,623,200
	22,770,507	43,248,954	20,122,711

The cash is held in current accounts with banks having sound credit ratings and does not carry any mark-up. The fair value of cash and cash equivalent approximates the carrying value at each reporting period.

Reconciliation to cash flow statement:

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	Note	December 31, 2018	December 31, 2017	January 1, 2017
Cash and cash equivalent		**22,770,507**	43,248,954	20,122,711
Less: Bank overdraft	20	**(2,388,625)**	(5,129,731)	(41,926,691)
Cash and cash equivalent for the cash flows purpose		**20,381,882**	38,119,223	(21,803,980)

17 Share capital

At December 31, 2018, December 31, 2017 and January 1, 2017 the Company's share capital of Saudi Riyals 100 million consist of 100,000 fully paid shares of Saudi Riyals 1,000 each. The shareholding pattern of Company's share capital is as follows:

Shareholder	Country of incorporation	December 31, 2018	December 31, 2017	January 1, 2017
ADGHC	Saudi	**96%**	96%	96%
Tanmiah Commercial Group Company Limited	Saudi	**4%**	4%	4%
		100%	100%	100%

During the year ended December 31, 2018, ADGHC has resolved to absorb the losses of the Company amounting to Saudi Riyals 115 million by adjusting the losses against the contributed capital balance.

During the year ended December 31, 2018, ADGHC has contributed additional capital in cash of Saudi Riyals 5 million (December 31, 2017: Saudi Riyals 63.32) million to provide financial support to the Company. Such balance is interest free and is payable at the option of the Company.

18 Statutory reserve

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the net income for the year to a statutory reserve until it equals to 30% of its share capital. The reserve is not available for distribution to the shareholders of the Company.

19 Employee benefits obligations

The Group operates a defined benefit plan in line with the labour law requirement in the Kingdom of Saudi Arabia. The end of service benefit payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment, as defined by the conditions stated in the labour laws of the Kingdom of Saudi Arabia. Employees' end of service benefit plans are unfunded plans and the benefit payment obligation are met when they fall due upon termination of employment.

	December 31, 2018	December 31, 2017	January 1, 2017
Net defined benefit liability	**59,244,978**	60,685,524	57,212,514

(All amounts in Saudi Riyals unless otherwise stated)

19 Employee benefits obligations (continued)

	December 31, 2018	December 31, 2017
January 1	**60,685,524**	57,212,514
Disposal of subsidiary	**(6,519,501)**	-
Current service cost	**6,191,064**	8,239,233
Interest cost	**1,713,712**	1,818,159
Actuarial loss / (gain) on the obligation	**1,256,449**	(1,119,713)
Benefits paid	**(4,082,270)**	(5,464,669)
December 31	**59,244,978**	60,685,524

Net benefit expense recognized in the statement of comprehensive income is as follows:

	December 31, 2018	December 31, 2017
Current service cost	**6,191,064**	8,239,233
Interest cost	**1,713,712**	1,818,159
Benefit expense	**7,904,776**	10,057,392

Net actuarial gain on the obligation for the year is as follows:

	December 31, 2018	December 31, 2017
Effect of changes in financial assumptions	**1,256,449**	(1,119,713)
Actuarial loss / (gain) on the obligation	**1,256,449**	(1,119,713)

Principal assumptions used in determining defined benefit obligation for the Group is as follows:

	December 31, 2018	December 31, 2017
Discount rate	**3.25%**	3.25%
Future salary increases rates	**2.5%**	2.5%
Retirement age	**60**	60

A quantitative sensitivity analysis for significant assumptions on the defined benefit obligation is shown below:

Discount rate:

	December 31, 2018	December 31, 2017
0.5% increase in discount rate	**4,465,484**	4,016,810
0.5% decrease in discount rate	**(775,474)**	(1,353,613)

Future salary growth:

	December 31, 2018	December 31, 2017
0.5% increase in salary escalation rate	**(927,535)**	(1,505,473)
0.5% decrease in salary escalation rate	**4,627,771**	4,178,991

The expected maturity analysis of undiscounted employee benefits obligations is as follows:

	December 31, 2018	December 31, 2017
1 - 5 years	**27,491,938**	26,985,421
Over 5 years	**54,800,200**	52,881,114

(All amounts in Saudi Riyals unless otherwise stated)

20 Borrowings

	December 31, 2018	December 31, 2017	January 1, 2017
Short term bank loans	**277,602,677**	341,158,011	297,894,487
Bank overdrafts	**2,388,625**	5,129,731	41,926,691
Interest payable	**1,967,798**	2,253,952	1,756,337
	281,959,100	348,541,694	341,577,515

The Group obtained short term loan facilities from commercial banks for a total amount of Saudi Riyals 342 million (December 31, 2017: Saudi Riyals 361 million). The unused balance of these facilities as at December 31, 2018 amounted to 44 million (December 31, 2017 Saudi Riyals 15 million). These facilities bear financing charges at market rates, which are generally based on Saudi Inter Bank Offer Rate ("SIBOR") and are collaterized by demand promissory notes signed by ADGHC, and by the joint and several guarantees from the shareholders of Al Dabbagh Group Holding Company (ADGHC), and cross and corporate guarantee from certain member companies of Dabbagh Group. The interest rates during the year on these facilities varied between 4.3% - 6.5% per annum.

The bank overdraft facilities utilized from various banks aggregated to Saudi Riyals 2.4 million (December 31, 2017: Saudi Riyals 5.1 million, January 1, 2017: Saudi Riyals 41.9 million). They carry mark-up based on SIBOR.

The management assessed that fair value of borrowings is approximately equal to their carrying amounts due to the short-term maturities and interest payable on those borrowings is close to the current market rates.

The financial charges recognized as an expense on the above borrowings is Saudi Riyals 11.3 million for the year ended December 31, 2018 (December 31, 2017: Saudi Riyals 16.1 million which includes Saudi Riyals 7.8 million related to continuing operations and Saudi Riyals 8.3 million related to discontinued operations).

21 Trade payables

	Note	December 31, 2018	December 31, 2017	January 1, 2017
Trade payables		**135,505,171**	156,679,850	153,386,744
Due to related parties	24	**61,161**	3,943,064	832,161
		135,566,332	160,622,914	154,218,905

Trade payables are unsecured and are usually paid within 3-12 months of recognition. The carrying amounts of trade payables are considered to be the same as their fair values, due to their short-term nature.

22 Accrued and other liabilities

	December 31, 2018	December 31, 2017	January 1, 2017
Accrued expenses	**53,218,856**	44,845,560	41,853,822
Accrued employee-related cost	**27,869,034**	25,104,203	27,264,983
Utilities payable	**2,221,283**	3,900,353	4,585,583
Advance from customers	**1,629,921**	2,167,712	2,684,567
Other provision	**829,224**	1,069,053	1,498,469
	85,768,318	77,086,881	77,887,424

The accrued expenses, accrued employee-related cost and utilities payable are usually settled within 12 months from the reporting date. Hence the carrying amount of these balances are considered to be the same as their fair values.

23 Zakat provision

23.1 Components of zakat base

The Company and its subsidiaries registered in Kingdom of Saudi Arabia file separate zakat declarations which are filed on unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulation are principally comprised of shareholders' equity, provisions at the beginning of year, adjusted income, less deductions for the adjusted net book value of property, plant and equipment, government subsidy and biological assets.

(All amounts in Saudi Riyals unless otherwise stated)

23 Zakat provision (continued)

23.2 Provision for zakat

	December 31, 2018	December 31, 2017
January 1	**7,390,229**	7,472,485
Provisions	**7,322,809**	3,164,000
Payment	**(3,239,463)**	(3,246,256)
December 31	**11,473,575**	7,390,229

23.3 Status of final assessments

The Company has finalized its zakat assessments with the GAZT upto 2002. Further, the Company accrued for zakat for the years from 2011 to 2013 on consolidated basis as the Company, had obtained an approval from GAZT to file consolidated zakat declaration. During 2014 due to the transfer of its shares in subsidiaries, the Company no more holds effectively 100% of the shares in its subsidiaries, and therefore filed an unconsolidated zakat return for the years ended 2014 through 2017. ADC, DHV, SFPC have filed the seprate zakat return for the years ended December 31, 2014 to 2017.

During previous years, the Company has received additional zakat assessment of Saudi Riyals 27 million for the years ended March 31, 2003 to March 31, 2010 and short period ended December 31, 2010. The Company has filed an appeal with the GAZT against such assessment. Based on the internal assessment by the management, the Company has maintained a provision of Saudi Riyals 4 million against such additional assessments.

24 Related parties transactions and balances

The Company is a member of an affiliated Group of companies which are directly or indirectly controlled by the ADGHC, the ultimate majority shareholder.

Following is the list of related parties with whom the Group has significant transactions and balances:

Name of related party	Nature of relationship
ADGHC	Ultimate Parent
Gulf Power	Affiliate
National Scientific Company Limited	Affiliate
Advanced Petroleum Services Limited (“APSL”)	Affiliate
SAED Esnad for Outsourcing ("SAED Esnad")	Affiliate
Saed International for Istiqdam Company (SAED)	Affiliate
Dukan	Affiliate

During the year ended December 31, 2016 and December 2017, a number of transactions were conducted in the ordinary course of business with the affiliated companies, which are based on prices and contract terms that are mutually agreed by management of the Group. The aggregate values of such transactions with affiliated companies are mentioned as follows:

24.1 Transactions with key management personnel

	December 31, 2018	December 31, 2017
Remuneration	**10,325,480**	14,086,703
Termination benefits	**476,234**	628,702

Key management personnel includes Chief Executive Officer and heads of departments. Compensation of the Group’s key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan.

24.2 Other related parties transactions

	December 31, 2018	December 31, 2017
Sales	**25,194,054**	-
Employee cost paid to a related party	**(8,106,346)**	(13,167,684)
Financial charges charged to a related party	**3,407,336**	4,170,999
Expenses charged to a related party	**7,157,058**	-

(All amounts in Saudi Riyals unless otherwise stated)

24 Related parties transactions and balances (continued)

24.3 Related party balances

Significant year end balances arising from transactions with related parties, are as follows:

(i) Trade receivable - related parties

	December 31, 2018	December 31, 2017	January 1, 2017
Dukan	**199,922,133**	-	-
Gulf Power International Limited	**257,845**	257,845	257,845
National Scientific Company Limited	**630,943**	344,965	514,197
APSL	**-**	-	185,556
	200,810,921	602,810	957,598

(ii) Trade payable - related parties

	December 31, 2018	December 31, 2017	January 1, 2017
SAED	**-**	1,803,787	509,003
APSL	**61,161**	-	-
SAED	**-**	1,789,920	192,128
ADGHC		349,357	131,030
	61,161	3,943,064	832,161

(iv) Advance paid to a related party

	December 31, 2018	December 31, 2017	January 1, 2017
Saed International for Istiqdam Company ("SAED")	**-**	**466,373**	439,088

(v) Due to a related party

	December 31, 2018	December 31, 2017	January 1, 2017
ADGHC	**77,178,852**	**-**	-

The above balance principally relates to the sale of Dukan to ADGHC at net liability position. See Note 7.4 for further details.

25 Revenues

	Food and agriculture			Construction of poultry farms	Total
2018	**Kingdom of Saudi Arabia**	**United Arab Emirates**	**Other GCC countries**	**Kingdom of Saudi Arabia**	
Segment revenue	**895,111,004**	**66,387,663**	**124,564,098**	**5,296,060**	**1,091,358,825**
Inter-segment revenue	**-**	**-**	**-**	**-**	**-**
Revenue from external customers	**895,111,004**	**66,387,663**	**124,564,098**	**5,296,060**	**1,091,358,825**
Timing of revenue recognition					
At a point in time	**895,111,004**	**66,387,663**	**124,564,098**	**-**	**1,086,062,765**
Over time	**-**	**-**	**-**	**5,296,060**	**5,296,060**
	895,111,004	**66,387,663**	**124,564,098**	**5,296,060**	**1,091,358,825**

(All amounts in Saudi Riyals unless otherwise stated)

25 Revenues (continued)

	Food and agriculture			Construction of poultry farms	Total	Retail (Discontinued operations- see Note 7)
2017	**Kingdom of Saudi Arabia**	**United Arab Emirates**	**Other GCC countries**	**Kingdom of Saudi Arabia**		**Kingdom of Saudi Arabia**
Segment revenue	795,732,519	73,760,555	147,442,159	11,940,621	1,028,875,854	400,284,593
Inter-segment revenue	(33,678,393)	-	-	-	(33,678,393)	-
Revenue from external customers	762,054,126	73,760,555	147,442,159	11,940,621	995,197,461	400,284,593
Timing of revenue recognition						
At a point in time	762,054,126	73,760,555	147,442,159	-	983,256,840	400,284,593
Over time	-	-	-	11,940,621	11,940,621	-
	762,054,126	73,760,555	147,442,159	11,940,621	995,197,461	400,284,593

The revenue from top five customers in the food and agriculture stream represents 23% of the Group's revenues (2017: 25%).

26 Cost of revenues

	Note	December 31, 2018	December 31, 2017
Material consumed		**559,049,460**	534,912,222
Employee related cost		**144,728,192**	112,611,694
Rent		**40,943,707**	39,962,041
Depreciation	8	**17,072,039**	18,267,939
Transport and travel		**36,939,561**	29,707,586
Repairs and maintenance		**11,605,507**	10,401,328
Utilities		**26,577,500**	28,868,002
Insurance		**1,690,642**	2,203,937
Amortisation	9	**200,559**	12,222
Others		**10,447,481**	9,808,350
		849,254,648	786,755,321

27 General and administrative expenses

	Note	December 31, 2018	December 31, 2017
Employee related cost		**40,749,228**	41,892,587
Professional fees		**3,181,964**	2,905,988
IT infrastructure cost		**891,191**	1,123,929
Amortization	9	**610,712**	1,176,839
Depreciation	8	**218,246**	182,106
Utilities		**648,310**	767,280
Transport and travel		**2,277,872**	1,150,272
Others		**4,218,908**	3,582,499
Overhead recharged to related party	24	**(7,157,058)**	-
		45,639,373	52,781,500

(All amounts in Saudi Riyals unless otherwise stated)

28 Selling and distribution expenses

	Note	December 31, 2018	December 31, 2017
Employee related cost		**42,735,628**	39,906,682
Transport and travel		**30,038,579**	26,633,863
Rent		**7,990,329**	8,263,089
Sales commission		**6,651,455**	5,926,751
Advertising and sales promotion		**2,336,565**	5,500,672
Depreciation	8	**1,358,539**	1,819,393
Utilities		**1,753,496**	2,083,800
Insurance		**1,509,774**	1,596,464
Repairs and maintenance		**1,039,493**	1,443,129
Others		**6,228,761**	3,150,230
		101,642,619	96,324,073

29 Other income, net

	Note	December 31, 2018	December 31, 2017
Dividend	10	**-**	2,250,000
Other income		**881,699**	4,135,761
		881,699	6,385,761

30 Commitments and operating lease

30.1 Commitments

- The capital expenditure contracted by the Group but not incurred till December 31, 2018 was approximately Saudi Riyals 0.21 million (December 31, 2017: Saudi Riyals 0.21 million).

- The bank issued guarantees on behalf of the Group amounting to Saudi Riyals 21.6 million (December 31, 2017: Saudi Riyals 11 million). The Group also has letters of credit issued on its behalf in the normal course of business amounting to Saudi Riyals 33.4 million at December 31, 2018 (2017: Saudi Riyals 6 million).

30.2 Operating lease

The Group has entered into operating leases for its farms and office premises.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	December 31, 2018	December 31, 2017
Within in one year	**42,127,518**	62,026,508
After one year but not more than five years	**112,055,223**	181,819,004
More than five years	**32,781,819**	151,682,421
	186,964,560	395,527,933

31 Financial Instruments

31.1 Fair value measurement of financial instruments

a) Recognised fair value measurements

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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorized 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.
- Level 2: inputs other than quoted prices included 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).

(All amounts in Saudi Riyals unless otherwise stated)

31 Financial Instruments (continued)

31.1 Fair value measurement of financial instruments (continued)

b) Fair value hierarchy

	December 31, 2018					
	FVOCI	**Amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets						
Listed equity securities	**47,700,000**	**-**	**47,700,000**	**47,700,000**	**-**	**-**
Unlisted equity securities	**773,983**	**-**	**773,983**	**-**	**-**	**773,983**
Trade receivables	**-**	**351,055,005**	**351,055,005**	**-**	**-**	**-**
Cash at banks	**-**	**18,508,284**	**18,508,284**	**-**	**-**	**-**
Government subsidy, employee and other receivable	**-**	**30,939,754**	**30,939,754**	**-**	**-**	**-**
Total financial assets	**48,473,983**	**400,503,043**	**448,977,026**	**47,700,000**	**-**	**773,983**

	December 31, 2017					
	FVOCI	**Amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets						
Listed equity securities	57,360,000	-	57,360,000	57,360,000	-	-
Unlisted equity securities	9,504,205	-	9,504,205	-	-	9,504,205
Trade receivables	-	146,285,065	146,285,065	-	-	-
Cash at banks	-	37,904,361	37,904,361	-	-	-
Government subsidy, employee and other receivable	-	47,280,746	47,280,746	-	-	-
Total financial assets	66,864,205	231,470,172	298,334,377	57,360,000	-	9,504,205

	January 1, 2017					
	FVOCI	**Amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets						
Listed equity securities	88,500,000	-	88,500,000	88,500,000	-	-
Unlisted equity securities	9,175,095	-	9,175,095	-	-	9,175,095
Trade receivables	-	144,626,452	144,626,452	-	-	-
Cash at banks	-	12,499,511	12,499,511	-	-	-
Government subsidy, employee and other receivable	-	50,220,656	50,220,656	-	-	-
Total financial assets	97,675,095	207,346,619	305,021,714	88,500,000	-	9,175,095

The carrying value of all the financial assets classified as amortised cost is approximates to the fair value on each reporting date.

c) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- For listed equity securities-the use of quoted market prices of the listed equity securities.
- For other financial instruments – discounted cash flow analysis.

d) Fair value measurements using significant unobservable inputs (level 3)

	December 31, 2018	**December 31, 2017**
January 1,	**9,504,205**	9,175,095
Gains recognised in other comprehensive income	**82,278**	329,110
Disposals	**(8,812,500)**	-
December 31	**773,983**	9,504,205

(All amounts in Saudi Riyals unless otherwise stated)

31 Financial Instruments (continued)

e) *Valuation process*

The finance department of the Group includes a team that performs the valuations of non-property items required for financial reporting purposes, including level 3 fair values. This team reports directly to the chief financial officer (CFO). The main level 3 inputs used by the Group are derived and evaluated as follows:

- Cash inflow from the disposal of investment.
- Earnings growth factor for unlisted equity securities are based on the actual growth rate of the investee till the date of its disposal.

31.2 Risk management framework

The Group's top management has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the management.

The Group has exposure to the following risks arising from financial instruments:
- Credit risk
- Liquidity risk
- Market risk (currency risk, fair value and cash flow interest risk and price risk)

a) Credit risk

Credit risk arises from cash and cash equivalents, credit exposures to customers, including outstanding receivables**.**

- Risk management

Credit risk is managed on a Group basis. For banks only independently rated parties above P-2 ratings are accepted. For trade receivables, internal risk control department assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set in accordance with limits set by the management. The compliance with credit limits by customers is regularly monitored by line management. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. See Note 14 for concentration of credit risk.

A significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment. A default on a trade receivable is when the counterparty fails to make contractual payments within 90 days of when they fall due. The Group categorizes a receivable for write off when a debtor fails to make contractual payments greater than 365 days past due. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in statement of comprehensive income**.**

- Impairment of financial assets

The Group's is exposure to credit risk at the reporting date is as follows:

	December 31, 2018	December 31, 2017	January 1, 2017
Cash at banks	**18,508,284**	37,904,361	12,499,511
Trade receivables – third parties	**161,908,611**	157,744,925	161,142,900
Trade receivables – related parties	**200,810,921**	602,810	957,598
Contract assets	**276,557**	-	174,440
Government subsidy, employee and other receivables (Included within prepayments and other receivables)	**30,939,754**	47,280,746	50,220,656
	412,444,127	243,532,842	224,995,105

IFRS 9 replaces the 'incurred loss' model with a forward-looking 'expected credit loss' (ECL) model. Cash at banks are placed with banks with sound credit ratings. Government subsidy, employee receivable and other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management impairment assessment, there is no provision required in respect of these balances for all the years presented.

(All amounts in Saudi Riyals unless otherwise stated)

31 Financial Instruments (continued)

31.2 Risk management framework (continued)

a) Credit risk (continued)

For trade receivable, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision 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. Further, the expected credit losses also incorporate forward looking information.

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 and the unemployment rate of the countries in which it sells its goods to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The trade receivable balance from the related parties are from the affiliates of the Group having the same ultimate shareholder. Based on management impairment assessment, there is no provision required in respect of these balances for all the years presented as they are considered to have low credit risk.

The Group has obtained the guarantee from its ultimate shareholder ADGHC for the receivable balance from Dukan amounting to Saudi Riyals 200 million as of December 31, 2018. Hence the Group has not considered any impairment on such receivable balance.

Impairment losses on financial assets recognised in statement of comprehensive income were as follows:

	December 31, 2018	December 31, 2017
Impairment loss on trade receivables	**(2,117,792)**	(1,305,423)

The following table provides information about the exposure to credit risk and ECLs for trade receivables from external customers:

December 31, 2018	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	**0.06%**	**94,865,222**	**57,626**
1–90 days past due	**0.13%**	**48,678,400**	**61,150**
90–180 days past due	**0.50%**	**3,196,862**	**15,945**
180–270 days past due	**1.18%**	**1,338,189**	**15,787**
270–360 days past due	**3.60%**	**1,289,857**	**46,483**
More than 360 days past due	**70.51%**	**3,637,044**	**2,564,499**
Specific provision	**100.00%**	**8,903,037**	**8,903,037**
	7.20%	**161,908,611**	**11,664,527**

December 31, 2017	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.24%	99,015,134	241,617
1–90 days past due	0.57%	33,316,823	189,486
90–180 days past due	1.30%	7,187,871	93,535
180–270 days past due	2.87%	4,286,596	123,198
270–360 days past due	8.75%	1,002,529	87,698
More than 360 days past due	79.04%	7,677,458	6,068,622
Specific provision	100.00%	5,258,514	5,258,514
	7.66%	157,744,925	12,062,670

January 1, 2017	Weighted average loss rate	Gross carrying amount	Loss allowance
Current (not past due)	0.2%	94,831,560	233,151
1–90 days past due	1.2%	38,902,234	448,922
90–180 days past due	8.5%	6,500,256	551,408
180–270 days past due	16.8%	3,180,226	534,884
270–360 days past due	18.1%	318,994	57,705
More than 360 days past due	85.2%	11,900,703	10,139,049
Specific provision	100.0%	5,508,927	5,508,927
	10.8%	161,142,900	17,474,046

31 Financial Instruments (continued)

31.2 Risk management framework (continued)

b) 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 an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. For instance, concentrations of liquidity risk may arise from the repayment terms of financial liabilities, bank over draft or reliance on a particular market in which to realize liquid assets.

	Within 3 months	**3 to 12 months**	**> 12 months**	**No fixed maturity**	**Total**
December 31, 2018					
Borrowings	**285,765,548**	**-**	**-**	**-**	**285,765,548**
Trade payables	**-**	**135,566,332**	**-**	**-**	**135,566,332**
Due to a related party	**-**	**77,178,852**			**77,178,852**
Accrued and other liabilities	**84,138,397**	**-**	**-**	**-**	**84,138,397**
	369,903,945	**212,745,184**	**-**	**-**	**582,649,129**

	Within 3 months	**3 to 12 months**	**> 12 months**	**No fixed maturity**	**Total**
December 31, 2017					
Borrowings	352,909,654	-	-	-	352,909,654
Trade payables	-	160,622,914	-	-	160,622,914
Accrued and other liabilities	74,919,169	-	-	-	74,919,169
	427,828,823	160,622,914	-	-	588,451,737
January 1, 2017					
Borrowings	345,541,773	-	-	-	345,541,773
Trade and other payables	-	154,218,905	-	-	154,218,905
Accrued and other liabilities	75,202,857	-	-	-	75,202,857
	420,744,630	154,218,905	-	-	574,963,535

In addition, Group has overdraft facilities and lines of credit from banks amounting to Saudi Riyals 342 million (December 31, 2017: Saudi Riyals 361 million). The Group has unutilized bank facilities of Saudi Riyals 44 million (December 31, 2017: Saudi Riyals 15 million) as at statement of financial position date to meet its liquidity requirements.

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.

c) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - 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 optimizing the return. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in currency that’s not the Group's functional currency. The Group's transactions are principally in Saudi Riyals, United Arab Emirates, Dirhams, Bahraini Dinars, Euros and United States Dollar. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged.

The Group’s exposure to currency risk arising from currencies that are not pegged to Saudi Riyals is not material to these financial statements.

(All amounts in Saudi Riyals unless otherwise stated)

31 Financial Instruments (continued)

31.2 Risk management framework (continued)

ii) Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group manages the interest rate risk by regularly monitoring the interest rate profiles of its interest bearing financial instruments. The Group's interest-bearing liabilities, which are mainly bank borrowings, are at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant. There are no interest bearing financial assets at the end of reporting period.

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	December 31, 2018	**December 31, 2017**	**January 1, 2017**
Financial assets	**-**	**-**	-
Financial liabilities, principally borrowings	**279,991,302**	346,287,742	339,821,178
	279,991,302	346,287,742	339,821,178

Profit or loss is sensitive to higher/lower interest expense on borrowings as a result of changes in interest rates. The following table demonstrates the sensitivity to a reasonable possible change in interest rate of the Group's profit before tax, through the impact of floating rate borrowings:

	December 31, 2018	**December 31, 2017**
Interest rate-increases by 100 basis points	**(1,136,695)**	(1,610,836)
Interest rate-decreases by 100 basis points	**1,136,695**	1,610,836

iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the balance sheet either as at fair value through other comprehensive income. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The majority of the Group's equity investments are publicly traded.

The table below summarizes the impact of increases/decreases of the index on the Group's equity. The analysis is based on the assumption that the equity index had increased or decreased by 5% with all other variables held constant, and that all the Group's equity instrument moved in line with the index.

	Impact on other comprehensive income	
	December 31, 2018	**December 31, 2017**
Tadawul stock exchange – increases 5%	**2,385,000**	2,868,000
Tadawul stock exchange – decreases 5%	**(2,385,000)**	(2,868,000)

d) Capital management

The primary objective of the Group's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximize shareholders' value. The capital structure includes all component of shareholders' equity totaling Saudi Riyals 178 million at December 31, 2018 (December 31, 2017: Saudi Riyals 109 million). The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

(All amounts in Saudi Riyals unless otherwise stated)

31 Financial Instruments (continued)

31.2 Risk management framework (continued)

d) Capital management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	December 31, 2018	December 31, 2017	January 1, 2017
Borrowings	**281,959,100**	348,541,694	341,577,515
Trade payable	**135,566,332**	160,622,914	154,218,905
Due to a related party	**77,178,852**	-	-
Less: cash and cash equivalents	**(22,770,507)**	(43,248,954)	(20,122,711)
Net debt (A)	**471,933,777**	465,915,654	475,673,709
Shareholders' equity (B)	**178,265,083**	109,201,725	152,526,945
Total capital (A+B)	**650,198,860**	575,117,379	628,200,654
Gearing ratio (A / (A+B))	**73%**	81%	76%

e) Financial risk management strategies for biological assets

The Group is exposed to risks arising from environmental and climatic changes risks.

a) Regulatory and Environmental Risk

The Group is subject to laws and regulations of Kingdom of Saudi Arabia. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

b) Climate and Other Risks

The Group is exposed to risk of loss from climate changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections, vaccination policies and state of the art farms to provide a barrier against diseases.

32 (Loss) / earnings per share

Loss per share have been calculated by dividing the net profit / loss attributable to the owners of the Company by the weighted average number of shares outstanding during the year.

i) Basic / diluted earnings per share

	December 31, 2018	December 31, 2017
From continuing operations attributable to the Owners of the Company	**748.98**	513.75
From discontinued operation	**-**	(1,283.04)
Total basic earnings / (loss) per share attributable to the Owners of the Company	**748.98**	(769.29)

ii) Reconciliations of earnings used in calculating earnings per share

	December 31, 2018	December 31, 2017
Basic and earnings per share		
Profit / (loss) attributable to the Owners of the Company used in calculating basic earnings per share:		
From continuing operations	**74,897,529**	51,375,248
From discontinued operation	**-**	(128,304,396)

iii) Reconciliations of earnings used in calculating earnings per share

	December 31, 2018	December 31, 2017
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share	**100,000**	**100,000**

(All amounts in Saudi Riyals unless otherwise stated)

33 Segment information

The Group operates principally in the two major business segments, as described below, which are Group's strategic business components**.** The strategic business components offer different products and services, and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- Agriculture and food business- includes manufacturing and distribution of poultry and poultry products.
- Retails-includes convenience stores operations.

The Group has disposed of its retail segment as of January 1, 2018. Hence there are no segment information related to the retail segment included in the financial statements of the year 2018.

The breakdown of non-current assets as of December 31, 2018 based on its location has been provided below.

	December 31, 2018		
	Kingdom of Saudi Arabia	**United Arab Emirates**	**Total**
Property, plant and equipment	**83,935,338**	**48,360,733**	**132,296,071**
Intangible assets	**1,606,902**	**353,744**	**1,960,646**
Financial assets at FVOCI	**48,473,983**	**-**	**48,473,983**

See Note 25 for the revenue generated within Kingdom of Saudi Arabia and outside the Kingdom of Saudi Arabia for the year ended December 31, 2018.

2017	**Food and Agriculture**	**Retail**	**Elimination**	**Total**
External revenues	995,197,461	400,284,593	-	1,395,482,054
Inter segment revenue	33,678,393	-	(33,678,393)	-
Segment Revenue	1,028,875,854		(33,678,393)	1,395,482,054
Cost of revenues	(820,433,714)	(365,675,668)	33,678,393	(1,152,430,989)
Depreciation	(20,235,240)	(9,616,471)	-	(29,851,711)
Amortisation	(1,189,059)	(74,015)	-	(1,263,074)
Financial charges	(7,835,355)	(8,273,000)	-	(16,108,355)
Zakat	(3,164,000)	-	-	(3,164,000)
Segment net profit / (loss)	53,417,550	(135,057,259)	-	(81,639,709)
Segment asset	749,562,908	108,489,155	(103,530,962)	754,521,101
Segment liabilities	554,454,208	204,167,390	(103,530,962)	655,090,636
Additions to property, plant and equipment	11,473,557	2,873,710.00	-	14,347,267

34 Cash flow information

(a) Net debt reconciliation

	December 31 2018	**December 31 2017**
Cash and cash equivalents	**20,381,882**	38,119,223
Borrowings - repayable within one year	**(277,602,677)**	(341,158,011)
Net debt	**(257,220,795)**	(303,038,788)

Borrowings of the company carry variable interest rates.

(b) Net debt reconciliation

	Cash and cash equivalents	**Borrowings - repayable within one year**	**Total**
January 1, 2017	(21,803,980)	(297,894,487)	(319,698,467)
Cash flows	59,923,203	(43,263,524)	16,659,679
December 31 2017	38,119,223	(341,158,011)	(303,038,788)
Cash flows	**(5,485,529)**	**38,566,198**	**33,080,669**
Disposal of a subsidiary	**(12,251,812)**	**24,989,136**	**12,737,324**
December 31 2018	**20,381,882**	**(277,602,677)**	**(257,220,795)**

35 Approval of financial statements

These consolidated financial statements of the year ended December 31, 2018, (including comparative figures) were approved for issue by the management of the Group on April 8, 2019.