TANMIAH FOOD COMPANY
(Previously known as "Supreme Foods Company Limited")
(A Saudi Closed Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
AND INDEPENDENT AUDITOR'S REPORT

TANMIAH FOOD COMPANY
(Previously known as "Supreme Foods Company Limited")
(A Saudi Closed Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Independent auditor's report to the shareholders of Tanmiah Food Company (Previously known as "Supreme Foods Company Limited")

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 Tanmiah Food Company (the "Company") (previously known as "Supreme Foods Company Limited") and its subsidiaries (together the "Group") as at December 31, 2019, 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, 2019;
- 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 and those charged with governance for the consolidated financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Independent auditor's report to the shareholders of Tanmiah Food Company (Previously known as "Supreme Foods Company Limited") (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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Mufaddal A. Ali
License Number 447

April 29, 2020

TANMIAH FOOD COMPANY
(Previously known as "Supreme Foods Company Limited")
(A Saudi Closed Joint Stock Company)
Consolidated statement of financial position
(All amounts in Saudi Riyals unless otherwise stated)

	Note	As at December 31, 2019	As at December 31, 2018
Assets			
Non-current assets			
Property, plant and equipment	8	**138,552,599**	132,296,071
Right-of-use assets	9	**187,749,206**	-
Intangible assets	10	**1,382,156**	1,960,646
Financial assets at fair value through other comprehensive income	11	**773,983**	48,473,983
Total non-current assets		**328,457,944**	182,730,700
Current assets			
Inventories	12	**160,620,943**	145,205,896
Biological assets	13	**57,041,156**	55,825,581
Contract assets	14	**1,599,947**	276,557
Trade receivables	15	**430,629,905**	351,055,005
Prepayments and other receivables	16	**70,401,734**	71,591,392
Cash and cash equivalents	17	**23,918,830**	22,770,507
Total current assets		**744,212,515**	646,724,938
Total assets		**1,072,670,459**	829,455,638
Equity and liabilities			
Equity			
Share capital	18	**200,000,000**	100,000,000
Statutory reserve	19	**7,082,296**	21,216,697
Financial assets at FVOCI reserve		**-**	26,763,435
Retained earnings		**79,808,555**	30,284,951
Equity attributable to owners of the Company		**286,890,851**	178,265,083
Non-controlling interest		**-**	(600)
Total equity		**286,890,851**	178,264,483
Liabilities			
Non-current liabilities			
Employee benefit obligations	20	**65,957,275**	59,244,978
Lease liabilities	9	**128,883,979**	-
Total non-current liabilities		**194,841,254**	59,244,978
Current liabilities			
Borrowings	21	**318,322,813**	281,959,100
Trade payables	22	**139,501,770**	135,566,332
Accrued and other liabilities	23	**69,292,746**	85,768,318
Lease liabilities	9	**55,829,274**	-
Due to a related party	25	**-**	77,178,852
Provision for zakat	26	**7,991,751**	11,473,575
Total current liabilities		**590,938,354**	591,946,177
Total liabilities		**785,779,608**	651,191,155
Total equity and liabilities		**1,072,670,459**	829,455,638

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

TANMIAH FOOD COMPANY
(Previously known as "Supreme Foods Company Limited")
(A Saudi Closed Joint Stock Company)
Consolidated statement of comprehensive income
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2019	December 31, 2018
Revenue	27	**1,145,655,260**	1,091,358,825
Cost of sales	28	**(867,604,625)**	(849,254,648)
Gross profit		**278,050,635**	242,104,177
Selling and distribution expenses	29	**(119,905,064)**	(101,642,619)
General and administrative expenses	30	**(53,215,422)**	(45,639,373)
Impairment loss on financial assets	15	**(998,308)**	(2,117,792)
Other income		**3,289,606**	881,699
Operating profit		**107,221,447**	93,586,092
Finance costs, net	31	**(28,419,449)**	(11,366,954)
Profit before zakat		**78,801,998**	82,219,138
Zakat	26	**(7,979,042)**	(7,322,809)
Profit for the year		**70,822,956**	74,896,329
Profit attributable to:			
Owners of the Company		**70,822,956**	74,897,529
Non-controlling interests		**-**	(1,200)
		70,822,956	74,896,329
Other comprehensive loss			
Items that will not be reclassified to profit or loss			
Re-measurements of post-employment benefit obligations	20	**(3,997,188)**	(1,256,449)
Changes in the fair value of equity investments at fair value through other comprehensive income	11	**(10,200,000)**	(9,577,722)
Total other comprehensive loss		**(14,197,188)**	(10,834,171)
Total comprehensive income for the year		**56,625,768**	64,062,158
Total comprehensive income attributable to:			
Owners of the Company		**56,625,768**	64,063,358
Non-controlling interests		**-**	(1,200)
		56,625,768	64,062,158
Earnings per share attributable to owners of the Company:			
Basic and diluted loss per share	34	**3.86**	4.99

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

TANMIAH FOOD COMPANY
(Previously known as "Supreme Foods Company Limited")
(A Saudi Closed Joint Stock Company)
Consolidated statement of changes in equity
(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Contributed capital	Statutory reserve	Financial assets at FVOCI reserve	Retained earnings / (accumulated losses)	Equity attributable to the owners of the Company	Non-controlling interest	Total equity
Balance at January 1, 2019	**100,000,000**	**-**	**21,216,697**	**26,763,435**	**30,284,951**	**178,265,083**	**(600)**	**178,264,483**
Profit for the year	**-**	**-**	**-**	**-**	**70,822,956**	**70,822,956**	**-**	**70,822,956**
Other comprehensive loss	**-**	**-**	**-**	**(10,200,000)**	**(3,997,188)**	**(14,197,188)**	**-**	**(14,197,188)**
Total comprehensive (loss) / income for the year	**-**	**-**	**-**	**(10,200,000)**	**66,825,768**	**56,625,768**	**-**	**56,625,768**
Additions (Note 18)	**-**	**50,000,000**	**-**	**-**	**-**	**50,000,000**	**-**	**50,000,000**
Reimbursed by the shareholder (note 26)	**-**	**-**	**-**	**-**	**2,000,000**	**2,000,000**	**-**	**2,000,000**
Reclassification on disposal of financial assets at FVOCI	**-**	**-**	**-**	**(16,563,435)**	**16,563,435**	**-**	**-**	**-**
Disposal of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**600**	**600**
Transfer	**-**	**-**	**7,082,296**	**-**	**(7,082,296)**	**-**	**-**	**-**
Transfers (Note 18)	**100,000,000**	**(50,000,000)**	**(21,216,697)**	**-**	**(28,783,303)**	**-**	**-**	**-**
Balance at December 31, 2019	**200,000,000**	**-**	**7,082,296**	**-**	**79,808,555**	**286,890,851**	**-**	**286,890,851**

	Share capital	Contributed capital	Statutory reserve	Financial assets at FVOCI reserve	Retained earnings / (accumulated losses)	Equity attributable to the owners of the Company	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	-	-	-	(6,742,823)	6,742,823	-	-	-
Additions	-	5,000,000	-	-	-	5,000,000	-	5,000,000
Absorption of losses	-	(115,924,879)	-	-	115,924,879	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	17,824,162	17,824,162
Acquisition of non-controlling interest	-	-	-	-	-	-	(8,052,302)	(8,052,302)
Transfer	-	-	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

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

TANMIAH FOOD COMPANY
(Previously known as “Supreme Foods Company Limited”)
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Consolidated statement of cash flows
(All amounts in Saudi Riyals unless otherwise stated)

	Note	For the year ended December 31, 2019	December 31, 2018
Cash flows from operating activities			
Profit before zakat		**78,801,998**	82,219,138
Adjustments for:			
Depreciation on property, plant and equipment	8	**18,894,497**	18,648,824
Depreciation on right-of-use assets	9	**47,386,974**	-
Amortisation of intangible assets	10	**578,490**	811,271
Property, plant and equipment written-off		**-**	42,495
Impairment loss on financial assets	15	**998,308**	2,117,792
Provision for slow-moving inventories	12	**2,876,754**	(1,568,690)
Provision for employee benefit obligations	20	**8,848,379**	7,904,776
Net loss on disposal of property, plant and equipment		**438,210**	(13,083)
Finance costs		**16,808,539**	11,366,954
Interest on lease liabilities	9	**11,610,910**	-
Government subsidy accrued during the year	16	**(52,587,127)**	(39,004,162)
Changes in operating assets and liabilities:			
Inventories		**(18,291,801)**	(5,439,599)
Trade receivables		**(80,573,208)**	(207,158,630)
Biological assets		**(1,215,575)**	(9,583,204)
Contract assets		**(1,323,390)**	(276,557)
Contract liabilities		**-**	(763,394)
Prepayments and other receivables		**55,823,491**	43,393,834
Trade payable		**3,936,910**	50,681,435
Due to a related party		**(25,178,852)**	77,178,852
Accrued and other liabilities		**(14,445,515)**	20,695,798
Cash generated from operations		**53,387,992**	51,253,850
Employee benefit obligations paid	20	**(6,133,270)**	(4,082,270)
Zakat paid	26	**(11,460,866)**	(3,239,463)
Finance costs paid		**(16,057,203)**	(11,653,108)
Net cash generated from operating activities		**19,736,653**	32,279,009
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	8	**(25,654,448)**	(12,026,268)
Proceeds from disposal of property, plant and equipment		**66,685**	15,428
Proceeds from sale of financial assets at FVOCI		**37,500,000**	7,812,500
Net cash generated from / (used in) investing activities		**11,912,237**	(4,198,340)
Cash flows from financing activities			
Additions to contributed capital		**-**	5,000,000
Borrowings		**38,001,002**	(38,566,198)
Principal elements of lease payments		**(66,112,944)**	-
Net cash used in financing activities		**(28,111,942)**	(33,566,198)
Net changes in cash and cash equivalents		**3,536,948**	(5,485,529)
Cash and cash equivalents at the beginning of the year	17	**20,381,882**	38,119,223
Cash and cash equivalents disposed on the disposal of a subsidiary		**-**	(12,251,812)
Cash and cash equivalents at the end of the year	17	**23,918,830**	20,381,882
Supplemental information for non-cash information			
Reimbursement of zakat by the shareholder		**2,000,000**	-
Additions to contributed capital		**50,000,000**	-
Disposal of Qeemah and Dukan for Groceries Company Limited (“Dukan”)		**-**	(17,842,162)
Disposal of financial assests 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

Tanmiah Food Company (the "Company") and its subsidiaries (collectively the "Group") is a Saudi Closed Joint Stock Company. The Group consists of the Company and its various subsidiaries registered in Saudi Arabia as well as in United Arab Emirates and Bahrain.

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 changed its legal name on Rajab 4, 1440H (corresponding to March 11, 2019) from "Supreme Foods Company" to "Tanmiah Foods Trading Company" and then subsequently changed its legal name on Ramadan 3, 1440H (corresponding to May 8, 2019) to "Tanmiah Food Company."

Further, the Company converted into a Saudi Closed Joint Stock Company ("CJSC") from Rajab 4, 1440H (corresponding to March 11, 2019) under Commercial Registration Number 1010087483. Previously, the Company was operating as a Limited Liability Company under Commercial Registration Number 1010087483 issued in Riyadh on Rabi-ul-Thani 6, 1412H (Corresponding to October 14, 1991). The accompanying financial statements are prepared for the entire period starting January 1, 2019 to December 31, 2019 as despite conversion of the Company into a CJSC on March 11, 2019 the nature of operations and its structure remains the same. The Company's head office is located at Omar Bin Abdul Aziz Road, P.O. Box 86909, Riyadh 11632, Kingdom of Saudi Arabia.

At December 31, 2019 and December 31, 2018, the accompanying consolidated financial statements include the financial statements of the Company and its subsidiaries operating under individual commercial registrations as disclosed in Note 6.

2 Basis of preparation

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

The Group has elected to present a single consolidated 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 employee benefit obligation, which is recognised at the present value of future obligations using the Projected Unit Credit Method.
- Biological assets, where fair value is reliably measurable, have been recognised at fair value.
- Equity investments at fair value through other comprehensive income ("FVOCI") are measured at fair value.

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

2 Basis of preparation (continued)

2.2 New and amended standards adopted by the Group

The Group has adopted IFRS 16 ‘Leases’ (“IFRS 16”), the only new standard, which became applicable for the current reporting year. The impact of the adoption of such standard and the new accounting policies are disclosed in Note 5 below.

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 these consolidated financial statements are disclosed below. The Group intends to adopt these standards, where applicable, when they become effective.

Title	Key requirements	Effective Date	Impact
Definition of Material – Amendments to IAS 1 and IAS 8	The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify: • that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole; and • the meaning of ‘primary users of general purpose financial statements’ to whom those financial statements are directed, by defining them as ‘existing and potential investors, lenders and other creditors’ that must rely on general purpose financial statements for much of the financial information they need.	January 1, 2020	The Group does not expect any material impact on its consolidated financial statements due to adoption of such amendments.
Definition of a Business – Amendments to IFRS 3	The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term ‘outputs’ is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.	January 1, 2020	The Group does not expect any material impact on its consolidated financial statements due to adoption of such amendments to IFRS 3.

2 Basis of preparation (continued)

2.3 Standards, interpretations and amendments issued but not yet effective (continued)

Title	Key requirements	Effective Date	Impact
Revised Conceptual Framework for Financial Reporting	The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include: • increasing the prominence of stewardship in the objective of financial reporting • reinstating prudence as a component of neutrality • defining a reporting entity, which may be a legal entity, or a portion of an entity • revising the definitions of an asset and a liability • removing the probability threshold for recognition and adding guidance on derecognition • adding guidance on different measurement basis, and • stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.	January 1, 2020	Management has considered the revised conceptual framework and has concluded that the accounting policies are still appropriate.

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 consolidated 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 Critical accounting estimates and judgments (continued)

3.1 Employee benefit obligations

The cost of post-employment defined benefits is 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, are extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. See Note 20 for further details.

3.2 Biological assets

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 the Kingdom of Saudi Arabia and lack of observable market data, 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 assumptions 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 13 for further details regarding assumptions.

3.3 Right-of-use assets and lease liabilities

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewable options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised. See Note 9 for further details.

3.4 Fair value measurement of financial guarantees

The fair values of financial instruments (including financial guarantees) that are not quoted in an active market require a degree of judgement and are determined by using valuation techniques, primarily discounted cash flows. The models used to determine fair values are validated and periodically reviewed by management. The inputs in the discounted cash flow models include unobservable inputs such as the projected cash flows due to default (i.e. loss at default) and the risk adjustment for probability of default that are incorporated into the discount rate. These judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these inputs could affect the reported fair value of financial instruments. The significant estimate relates to the valuation of the financial guarantee contract. See Note 24 for further details.

3.5 ECL measurement on financial guarantees

Measurement of ECLs in respect of financial guarantees issued is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 33.2. The components that have a major impact on credit loss allowance are probability of default (“PD”) and loss given default (“LGD”), as well as models of macro-economic scenarios. The Group regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience.

4 Restatement of prior year financial statements relating to pledges and financial guarantee contracts

During November 2019, management identified certain financial guarantees and pledges that were provided by the Group in 2018 to certain local banks against borrowings and other credit facilities obtained by the Company's Parent Al Dabbagh Group Holding Company ("ADGHC") and other subsidiaries of ADGHC, which were not disclosed in the Company's previously issued annual consolidated financial statements for the year ended December 31, 2018 ("the 2018 financial statements"). Such guarantees and pledges were revoked in 2019 with retrospective effect from the date of inception. See Note 8 and 32.

However, this resulted in a non-disclosure of the related contingency in the 2018 financial statements which has been corrected by restating each of the affected comparative financial statement disclosures, including disclosures pertaining to property, plant and equipment (Note 8), financial assets at fair value through other comprehensive income (Note 11), other financial liability (Note 24), commitments (Note 32) and risk management disclosures (Note 33.2) in the accompanying consolidated financial statements. Further, the Company has also included an updated accounting policy for financial instruments in the accompanying consolidated financial statements, which includes accounting treatment of financial guarantee contracts (Note 6.8). The restatement did not have any effect on the consolidated statement of financial position as at December 31, 2018 and statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2018.

5 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's consolidated financial statements. As indicated in Note 3.3 above, the Group has adopted IFRS 16 Leases retrospectively from January 1, 2019 but has not restated comparatives for the 2018 reporting year, as permitted under the specific transition provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on January 1, 2019. The new accounting policies are disclosed in Note 6.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.9% in Saudi Arabia and 6.5% in United Arab Emirates (UAE).

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at January 1, 2019.

(All amounts in Saudi Riyals unless otherwise stated)

5 Changes in accounting policies (continued)

Measurement of lease liabilities

Operating lease commitments disclosed as at December 31, 2018	186,964,560
Discounted using the lessee's incremental borrowing rate at the date of initial application	175,833,693
Add: contracts reassessed as lease contracts	39,268,205
(Less): short-term leases not recognised as a liability	(2,320,847)
Lease liability recognised as at January 1, 2019	212,781,051
Of which are:	
Current lease liabilities	48,235,557
Non-current lease liabilities	164,545,494

Adjustments recognised in the consolidated statement of financial position on January 1, 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on January 1, 2019:

- right-of-use assets – increased by Saudi Riyals 208,704,287
- prepayments and other receivable – increased by Saudi Riyals 2,046,706
- lease liabilities – increased by Saudi Riyals 212,781,051
- accrued and other liabilities – decreased by Saudi Riyals 2,030,057

There is no impact on retained earnings on January 1, 2019 as a consequence of change in accounting policy.

6 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. These policies have been consistently applied for all periods presented, unless otherwise stated.

6.1 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.

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

6 Summary of significant accounting policies (continued)

6.1 Basis of consolidation (continued)

(a) Subsidiaries (continued)

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 statement of comprehensive income; and
- 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 consolidated statement of comprehensive income. 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.

6 Summary of significant accounting policies (continued)

6.2 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 consolidated financial statements are presented in Saudi Riyals, which is also the Company'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 consolidated 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. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(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 consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position
- 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 consolidated statement of comprehensive income, 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.

(iv) Current vs non-current classification

The Group presents assets and liabilities in the consolidated 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.

6 Summary of significant accounting policies (continued)

6.4 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. 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 from 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. An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Depreciation is calculated on a straight-line basis over the below useful lives and is recognised in the consolidated 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 are included in the consolidated statement of comprehensive income at the time the item is derecognised.

6 Summary of significant accounting policies (continued)

6.4 Property, plant and equipment (continued)

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 CWIP comprises its purchase price, construction / development cost and any other costs directly attributable to the construction or acquisition of an item intended by management.

CWIP is measured at cost less any recognised impairment. CWIP 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.

6.5 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 consolidated 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.

6.6 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 changes 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 higher 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).

6 Summary of significant accounting policies (continued)

6.6 Impairment of non-financial assets (continued)

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.

6.7 Inventories

Inventories are stated at cost or net realisable value (if lower than the cost). 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.

6.8 Financial instruments

<u>Classification of financial assets</u>

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 Group 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 be recorded either in profit or loss or other comprehensive income.

<u>Initial measurement</u>

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 consolidated statement of comprehensive income. 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.

<u>Classification of financial liabilities</u>

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.

6 Summary of significant accounting policies (continued)

6.8 Financial instruments (continued)

Offsetting financial assets and liabilities

Financial assets and liabilities are offset so that the net amount is reported in the consolidated 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 consolidated statement of comprehensive income 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.

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.

FVTPL: 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 consolidated 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 consolidated statement of comprehensive income following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated statement of comprehensive income 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.

6 Summary of significant accounting policies (continued)

6.8 Financial instruments (continued)

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.

The Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:
(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event (see (ii) above);
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost and financial guarantee contracts. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 33.2 details how the Group determines impairment methodology for other receivables and financial guarantee contracts.

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.

6.9 Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include 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.

6 Summary of significant accounting policies (continued)

6.10 Employee 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.

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 and other countries where the Group operates.

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 consolidated statement of the comprehensive income while unwinding of the liability at discount rates used are recorded as interest 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 consolidated statement of comprehensive income as past service costs.

6.11 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 consolidated statement of the comprehensive income, net of reimbursements.

6.12 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 recognised initially at fair value and subsequently measured at amortised cost using effective interest rate.

6.13 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.

6 Summary of significant accounting policies (continued)

6.13 Biological assets (continued)

Breeder birds

The cost of breeder birds is amortised 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 are 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.

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 are no active markets for the broilers. Cost to sell includes all cost that would be necessary to sell the assets.

6.14 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 recognised in consolidated statement of comprehensive income on a systematic basis over the periods in which the Group recognises as expenses the related inventories which the grants are intended to compensate. The government grant utilised during the year has been included under the "cost of sales".

6.15 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.

6 Summary of significant accounting policies (continued)

6.15 Revenue recognition (continued)

Step 5. Recognise 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 alternative 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 of 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.

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 exceeds 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 liabilities".

6.16 General and administrative expenses

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

6.17 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.

6 Summary of significant accounting policies (continued)

6.18 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 consolidated statement of comprehensive income. Additional amounts payable, if any, at the finalisation 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.

6.19 Leases

Until the 2018 financial year-end, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease. From January 1, 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and restoration costs.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

6.20 Trade receivables

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 6.8 for a description of the Group's impairment policies.

6 Summary of significant accounting policies (continued)

6.21 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.

6.22 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.

6.23 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.

6.24 Contributed capital

Contribution from shareholders is classified as equity when there is no contractual obligation to transfer cash or another financial asset to the shareholders.

6.25 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in consolidated statement of comprehensive income over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in consolidated statement of comprehensive income as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in consolidated statement of comprehensive income, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

7 Interests in other entities

7.1 Material subsidiaries

The Group's principal subsidiaries at December 31, 2019 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.

(All amounts in Saudi Riyals unless otherwise stated)

7 Transactions with non-controlling interests (continued)

7.1 Material subsidiaries (continued)

Subsidiary	Country of incorporation	Effective ownership at December 31, 2019	Effective ownership at December 31, 2018	Principal activities
Agricultural Development Company Limited ("ADC")	Saudi Arabia	**100%**	100%	Wholesale trading in poultry products and agricultural produce
Supreme Foods Processing Company Limited ("SFPC")	Saudi Arabia	**100%**	100%	Manufacturing and preparation of various types of meat products.
Desert Hills Veterinary Services Company Limited ("DHV")	Saudi Arabia	**100%**	100%	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
Dabbagh International (UAE) (L.L.C) ("DI")	United Arab Emirates (UAE)	**100%**	100%	General trading
Supreme Food Bahrain	Kingdom of Bahrain	**100%**	-	General trading

During the year, a dormant subsidiary "Tanmiah Food Company Limited" has been liquidated and "Supreme Food Bahrain" branch has been converted into a subsidiary.

7.2 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. At December 31, 2017, the Company held 96% ownership interest in ADC, DHV and SFPC. The effect on the equity attributable to the owners of the Company during the year ended December 31, 2019 and December 31, 2018 is summarised as follows:

	December 31, 2019	December 31, 2018
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 Transactions with non-controlling interests (continued)

7.3 Details of the sale of a subsidiary

On January 1, 2018, the Company disposed of its entire investment in Qeemah and Dukan for Groceries Company Limited ("Dukan") to 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
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 payables	**(160,646,392)**
Borrowings	**(24,989,136)**
Accrued and other liabilities	**(12,015,817)**
Employee benefit 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)**

(All amounts in Saudi Riyals unless otherwise stated)

8 Property, plant and equipment

	Land	Buildings	Leasehold improvements	Machinery and equipment	Motor vehicles	Furniture and fixtures	Capital work-in-progress	Total
Cost								
At January 1, 2018	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-offs	-	(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
Additions	**-**	**194,337**	**2,082,987**	**10,044,128**	**226,383**	**182,428**	**12,924,185**	**25,654,448**
Transfers from RP	**-**	**-**	**-**	**1,472**	**-**	**-**	**-**	**1,472**
Transfers	**-**	**-**	**-**	**3,346,380**	**-**	**-**	**(3,346,380)**	**-**
Disposals	**(187,500)**	**-**	**(40,900)**	**(2,495)**	**(459,881)**	**-**	**(317,395)**	**(1,008,171)**
At December 31, 2019	**26,735,012**	**95,755,783**	**18,133,524**	**209,618,279**	**20,090,992**	**2,742,021**	**13,067,674**	**386,143,285**
Accumulated depreciation								
At January 1, 2018	-	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-offs	-	(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
Depreciation	**-**	**3,383,167**	**1,586,920**	**13,729,573**	**95,197**	**99,640**	**-**	**18,894,497**
Disposals	**-**	**-**	**(40,900)**	**(2,495)**	**(459,881)**	**-**	**-**	**(503,276)**
At December 31,2019	**-**	**55,195,792**	**14,105,595**	**156,110,005**	**19,761,661**	**2,417,633**	**-**	**247,590,686**
Net book amount								
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
At December 31,2019	**26,735,012**	**40,559,991**	**4,027,929**	**53,508,274**	**329,331**	**324,388**	**13,067,674**	**138,552,599**

Capital work-in-progress represents costs incurred on expansion of the current capacity of the processing plant and the construction of wastewater recycling plant.

Depreciation for the year has been allocated as follows:

	Note	December 31, 2019	December 31, 2018
Cost of sales	28	**17,140,922**	17,072,039
Selling and distribution expenses	29	**1,494,236**	1,358,539
General and administrative expenses	30	**259,339**	218,246
		18,894,497	18,648,824

(All amounts in Saudi Riyals unless otherwise stated)

8 Property, plant and equipment (continued)

Restatement of prior year financial statements

At December 31, 2018, the Group pledged two of its parcels of land having a carrying amount of Saudi Riyals 7.5 million against borrowings of ADGHC. This pledge was not disclosed in the previously issued annual financial statements for the year ended December 31, 2018.

On December 11, 2019, the Bank revoked this pledge with retrospective effect from August 12, 2018, the date of inception of such pledge.

9 Leases

The Group leases various accommodations, warehouses, buildings, poultry processing plants, farms, vehicles and offices. Rental contracts are typically made for fixed periods of 1 to 50 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

At December 31, 2019, the Group did not have any lease contracts classified as right-of-use asset that are variable in nature. Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group. The Group assesses at lease commencement whether it is reasonably certain to exercise the option. The Group does not provide residual value guarantees in relation to any of its leases.

(i) Amounts recognised in the statement of financial position

	December 31, 2019	December 31, 2018
Right-of-use assets		
Buildings	**151,272,488**	-
Vehicles	**36,476,718**	-
	187,749,206	-

	December 31, 2019	December 31, 2018
Lease liabilities		
Current	**55,829,274**	-
Non-current	**128,883,979**	-
	184,713,253	-

The additions to the right-of-use assets during the year ended December 31, 2019 was Saudi Riyals 26.43 million.

(ii) Amounts recognised in the consolidated statement of comprehensive income

	December 31, 2019	December 31, 2018
Depreciation on right-of-use assets - buildings	**36,675,615**	-
Depreciation on right-of-use assets - vehicles	**10,711,359**	-
	47,386,974	-
Interest expense (included in finance costs -Note 31)	**11,610,910**	-
Expense relating to short-term leases (included in cost of sales – Note 28 and selling and distribution expenses – Note 29)	**9,109,728**	-

The total cash outflow for leases during the year was Saudi Riyals 66.11 million.

(All amounts in Saudi Riyals unless otherwise stated)

9 Leases (continued)

Depreciation on right-of-use assets for the year has been allocated as follows:

	Note	December 31, 2019	December 31, 2018
Cost of sales	28	**36,137,655**	-
Selling and distribution expenses	29	**9,523,643**	-
General and administrative expenses	30	**1,725,676**	-
		47,386,974	-

10 Intangible assets

	Computer software
Cost	
At January 1, 2018	14,573,139
Disposal of a subsidiary	(741,299)
At December 31, 2018	13,831,840
Additions	-
December 31, 2019	**13,831,840**
Accumulated amortisation	
At January 1, 2018	11,242,591
Amortisation	811,271
Disposal of a subsidiary	(182,668)
At December 31, 2018	11,871,194
Amortisation	**578,490**
December 31, 2019	**12,449,684**
Net book amount	
At December 31, 2018	1,960,646
At December 31, 2019	**1,382,156**

11 Financial assets at fair value through other comprehensive income

11.1 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.

11.2 Equity investments at fair value through other comprehensive income

	December 31, 2019	December 31, 2018
Listed securities		
Red Sea International Company	-	47,700,000
Unlisted securities		
Alexandria Copenhagen Company	**773,983**	773,983
	773,983	48,473,983

On November 27, 2019, as part of strategic restructuring initiatives, the Company entered into an agreement with Tanmiah Commercial Group ("TCG"), a shareholder, to transfer its entire investment in Red Sea International Company, a Saudi listed entity, to TCG, at its market value of Saudi Riyals 37.5 million as of November 27, 2019, determined using the share price at the Saudi Stock Exchange (Tadawul) as of that date. The cumulative fair value reserve on disposal was Saudi Riyals 16.6 million.

(All amounts in Saudi Riyals unless otherwise stated)

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

11.3 Amounts recognised in profit or loss and other comprehensive income

	December 31, 2019	December 31, 2018
Fair value loss recognised in other comprehensive income	**(10,200,000)**	(9,577,722)

11.4 Fair value and risk exposure

Information about the methods and assumptions used in determining fair value is provided in Note 33.

11.5 Pledge of shares in Red Sea International Company

Restatement of prior year financial statements

At December 31, 2018, the Group pledged the shares held in Red Sea International Company against borrowings of ADGHC. As mentioned in Note 11.2, these shares were sold to TCG. The related pledge was also transferred to TCG. Also, see Note 2.

12 Inventories

	December 31, 2019	December 31, 2018
Finished goods	**22,077,545**	15,691,553
Raw materials	**58,553,119**	43,376,501
Goods-in-transit	**23,246,874**	34,572,994
Animal health products	**16,562,542**	16,228,071
Poultry meats and other food stuff	**17,591,011**	15,299,605
Packaging materials	**8,427,399**	9,188,343
Spare parts	**8,321,349**	7,402,677
Equipment for sale	**5,364,164**	4,217,621
Other	**5,720,529**	3,744,550
Less: provision for slow-moving inventories	**(5,243,589)**	(4,516,019)
	160,620,943	145,205,896

Amounts of inventories recognised as an expense are disclosed in Note 28.

Movement in provision for slow-moving inventories is as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Opening balance	**4,516,019**	8,868,337
Additions / (reversals)	**2,876,754**	(1,568,690)
Disposal of subsidiary	**-**	(450,000)
Write-offs	**(2,149,184)**	(2,333,628)
Closing balance	**5,243,589**	4,516,019

(All amounts in Saudi Riyals unless otherwise stated)

13 Biological assets

	December 31, 2019	December 31, 2018
Opening balance	**55,825,581**	46,242,377
Additions	**673,456,232**	604,779,662
Amortisation	**(56,062,345)**	(42,751,988)
Transfers to inventories	**(616,178,312)**	(552,444,470)
Closing balance	**57,041,156**	55,825,581
Categories of biological assets:		
Broiler birds	**13,250,387**	18,797,974
Breeder – rearing & production	**35,610,381**	29,289,701
Hatchery eggs	**8,180,388**	7,737,906
	57,041,156	55,825,581

As at December 31, 2019 the Group had 5.15 million broiler birds (December 31, 2018: 6.6 million birds). Further, 84.6 million broiler birds were slaughtered during the year ended December 31, 2019 (December 31, 2018: 72.9 million broiler birds).

As at December 31, 2019 the Group had 1.1 million breeder birds and 7.2 million hatchery eggs (December 31, 2018: 1.1 million breeder birds and 4.1 million hatchery eggs).

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 overheads)].	- 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).

Fair values of hatching eggs are determined with reference to market prices of hatching eggs less cost to sell at year-end and making use of assumptions that are mainly based on market conditions existing at each reporting date

The Group's finance department includes a team that performs 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.

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.

(All amounts in Saudi Riyals unless otherwise stated)

14 Assets and liabilities related to contracts with customers

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

	December 31, 2019	December 31, 2018
Contract assets relating to the construction of poultry farms	**1,599,947**	276,557

All the construction of poultry farm contracts are for a period of one year or less or are billed based on time incurred. There are no contract liabilities at December 31, 2019 and December 31, 2018 related to contracts with customers.

15 Trade receivables

	Note	December 31, 2019	December 31, 2018
Trade receivables		**165,070,878**	161,908,611
Due from related parties	25	**273,318,755**	200,810,921
		438,389,633	362,719,532
Less: provision for impairment of trade receivables		**(7,759,728)**	(11,664,527)
		430,629,905	351,055,005

Trade receivables are non-derivative 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, 2019, five largest customers accounted for 38% (December 31, 2018: 25%) of the outstanding trade receivables. Due to short-term nature of the trade receivables, their carrying amounts are considered to approximate their fair values.

The Group writes-off financial assets, in 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 recovery once they are not subject to enforcement activity.

Trade receivables written-off during the year ended December 31, 2019 and 2018 are not subject to enforcement activity.

Movement in provision for impairment of trade receivables is as follows:

	Year ended December 31, 2019	Year ended December 31, 2018
Opening balance	**11,664,527**	12,062,670
Additions	**998,308**	2,117,792
Write-offs	**(4,903,107)**	(2,515,935)
Closing balance	**7,759,728**	11,664,527

16 Prepayments and other receivables

	December 31, 2019	December 31, 2018
Advances to suppliers	**25,842,179**	15,314,429
Government subsidy receivable	**18,962,577**	27,174,213
Prepaid expenses	**15,814,518**	25,337,209
Employee receivables	**2,660,611**	2,564,725
Other receivables	**7,121,849**	1,200,816
	70,401,734	71,591,392

(All amounts in Saudi Riyals unless otherwise stated)

16 Prepayments and other receivables (continued)

The Group receives a subsidy from the Ministry of Finance on imports of certain raw materials for its feed mills. Government subsidy, employee and other receivables generally are 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 is as follows:

	Year ended December 31, 2019	**Year ended December 31, 2018**
Opening balance	**27,174,213**	40,872,648
Additions	**52,587,127**	39,004,162
Collections	**(60,798,763)**	(52,702,597)
Closing balance	**18,962,577**	27,174,213

17 Cash and cash equivalents

	December 31, 2019	**December 31, 2018**
Cash at banks	**19,517,303**	18,508,284
Cash in hand	**4,401,527**	4,262,223
	23,918,830	22,770,507

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 equivalents 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 consolidated statement of cash flows at the end of each of the financial year as follows:

	Note	**December 31, 2019**	**December 31, 2018**
Cash and cash equivalents		**23,918,830**	22,770,507
Less: bank overdraft	21	**-**	(2,388,625)
Cash and cash equivalents for cash flow purposes		**23,918,830**	20,381,882

18 Share capital

At December 31, 2019 the Company's share capital of Saudi Riyals 200 million consisted of 20 million issued and fully paid shares of Saudi Riyals 10 each (December 31, 2018: share capital of Saudi Riyals 100 million that consisted of 100,000 shares of Saudi Riyals 1,000 each). The shareholding pattern of Company's share capital is as follows:

(All amounts in Saudi Riyals unless otherwise stated)

18 Share capital (continued)

Shareholder	Country of incorporation	December 31, 2019	December 31, 2018
ADGHC	Saudi	**96%**	96%
TCG	Saudi	**4%**	4%
		100%	100%

TCG is fully owned by ADGHC at December 31, 2019 and 2018.During the year ended December 31, 2019 the share capital of the Company has increased from Saudi Riyals 100 million to Saudi Riyals 200 million with no change in the shareholding pattern. The increase in the share capital resulted from transfer of Saudi Riyals 29 million from retained earnings, Saudi Riyals 21 million from statutory reserve and Saudi Riyals 50 million from contributed capital (through transfer from the balance owed by the Company to ADGHC).

Further, the shares of the Company have been split in the ratio of 100-for-1 and the share price of each share has accordingly reduced from Saudi Riyals 1,000 per share to Saudi Riyals 10 per share.

19 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. During the year ended December 31, 2019, the shareholders of the Company have resolved to capitalise the statutory reserve balance (see Note 18).

20 Employee benefit obligations

The Group operates a defined benefit plan in line with the labour law requirements in the Kingdom of Saudi Arabia, UAE and Bahrain. 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, UAE and Bahrain. Employees’ end of service benefit plans are unfunded plans and the benefit payment obligations are met by the Group when they fall due upon termination of employment.

	Year ended December 31, 2019	Year ended December 31, 2018
Opening balance	**59,244,978**	54,166,023
Current service cost	**6,986,250**	6,191,064
Interest cost	**1,862,129**	1,713,712
Actuarial loss on the obligation	**3,997,188**	1,256,449
Benefits paid	**(6,133,270)**	(4,082,270)
Closing balance	**65,957,275**	59,244,978

Amounts recognised in the consolidated statement of comprehensive income related to employee benefit obligations are as follows:

	For the year ended	
	December 31, 2019	December 31, 2018
Current service cost	**6,986,250**	6,191,064
Interest cost	**1,862,129**	1,713,712
Total amount recognised in consolidated profit or loss	**8,848,379**	7,904,776
Effect of changes in actuarial assumptions	**3,997,188**	1,256,449
Total amount recognised in consolidated statement of comprehensive income	**12,845,567**	9,161,225

(All amounts in Saudi Riyals unless otherwise stated)

20 Employee benefit obligations (continued)

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

	December 31, 2019	December 31, 2018
Discount rate	**3.25%**	3.25%
Future salary increase rate	**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, 2019	December 31, 2018
0.5% increase in discount rate	**(5,400,518)**	(4,465,484)
0.5% decrease in discount rate	**410,924**	775,474

Future salary growth:

	December 31, 2019	December 31, 2018
0.5% increase in salary escalation rate	**579,986**	927,535
0.5% decrease in salary escalation rate	**(5,580,433)**	(4,627,771)

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

	December 31, 2019	December 31, 2018
1 - 5 years	**29,813,886**	27,491,938
Over 5 years	**58,555,992**	54,800,200

21 Borrowings

	December 31, 2019	December 31, 2018
Short-term bank loans	**315,603,679**	277,602,677
Bank overdrafts	**-**	2,388,625
Interest payable	**2,719,134**	1,967,798
	318,322,813	281,959,100

The Group obtained short-term loan facilities from commercial banks of Saudi Riyals 517 million (December 31, 2018: Saudi Riyals 342 million). The unused balance of these facilities as at December 31, 2019 amounted to Saudi Riyals 151 million (December 31, 2018 Saudi Riyals 7 million). These facilities bear finance costs at market rates, which are generally based on Saudi Inter Bank Offered Rate ("SIBOR") and are collaterised by demand promissory notes signed by the borrowing entity, and by the joint and several guarantees from the shareholders of ADGHC and cross and corporate guarantees from other ADGHC group companies. The interest rates during the year on these facilities varied between 4% - 7.5% per annum.

The bank overdraft facilities utilised from various banks aggregated to nil (December 31, 2018: Saudi Riyals 2.4 million). They carry mark-up based on SIBOR.

Management assessed that fair value of borrowings is approximately equal to their carrying amounts due to the short-term maturities of three months or less and interest payable on those borrowings being at current market rates.

The finance costs recognised as expense on the above borrowings have been disclosed in Note 31.

(All amounts in Saudi Riyals unless otherwise stated)

22 Trade payables

	Note	December 31, 2019	December 31, 2018
Trade payables		**139,501,770**	135,505,171
Due to a related party	25	**-**	61,161
		139,501,770	135,566,332

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

23 Accrued and other liabilities

	December 31, 2019	December 31, 2018
Accrued expenses	**32,238,952**	53,218,856
Accrued employee-related costs	**28,122,250**	27,869,034
Advances from customers	**3,756,726**	1,629,921
Utilities payable	**3,163,752**	2,221,283
Other	**2,011,066**	829,224
	69,292,746	85,768,318

Accrued expenses, accrued employee-related costs and utilities payable are usually settled within 12 months from the reporting date. Hence, the carrying amounts of these balances are considered to approximate their fair values.

24 Other financial liability

Restatement of prior year financial statements

At December 31, 2018, the Group had provided joint financial guarantees to certain local banks against various credit facilities obtained by ADGHC and other ADGHC group companies amounting to Saudi Riyals 327 million (2019: Such financial guarantees were revoked. See Note 32). Management of the Group had assessed the past due status of the debts and financial status of ADGHC and other ADGHC group companies under guarantee as well as the economic outlook of the industries in which these entities operate and concluded that the fair value on initial recognition of financial guarantees issued on behalf of ADGHC and other ADGHC group companies is immaterial based on the expectation that it is more likely than not that no amount will be payable by the Group under the arrangement and hence no financial liability was recorded. Based on the forgoing, management had concluded that the expected credit loss on the financial guarantee contracts subsequent to initial recognition was immaterial at December 31, 2018. Information about the methods and assumptions used in determining fair value on initial recognition and determination of expected credit loss on the financial guarantee contracts is provided in Note 33.2.

25 Related party transactions and balances

The Company is a member of an affiliated group of companies, which are directly or indirectly controlled by 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 International Limited ("GPIL")	Affiliate
National Scientific Company Limited ("NSCL")	Affiliate
Advanced Petroleum Services Limited ("APSL")	Affiliate
SAED Esnad for Outsourcing ("SAED Esnad")	Affiliate
Saed International for Istiqdam Company ("SAED Istiqdam")	Affiliate
Dukan	Affiliate

(All amounts in Saudi Riyals unless otherwise stated)

25 Related party transactions and balances (continued)

During the year ended December 31, 2019 and 2018, 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:

25.1 Transactions with key management personnel

	December 31, 2019	December 31, 2018
Remuneration	**11,693,924**	10,325,480
Provision for employee benefit obligations	**562,770**	476,234

Key management personnel include the Board of Directors, 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.

25.2 Other related party transactions

	Note	December 31, 2019	December 31, 2018
Sales to an affiliate		**18,888,028**	25,194,054
Employee costs paid to an affiliate		**(5,638,870)**	(8,106,346)
Disposal of investment in Red Sea International Company to an affiliate	11	**37,500,000**	-
Capital contribution by Parent	18	**50,000,000**	-
Payments on behalf of Parent		**8,707,982**	-
Expenses recharged to an affiliate	30	**2,640,549**	7,157,058
Finance costs charged to an affiliate	31	-	3,407,336

Restatement of prior year financial statements

At December 31, 2018, the Group provided joint collaterals (including pledges and financial guarantees) to local banks against various credit facilities obtained by ADGHC and other ADGHC group companies. See Note 24.

Pledge of cash against loan taken by ADGHC

During 2019, ADGHC obtained a loan of Saudi Riyals 275 million from a local commercial bank (the "lender") and transferred it to the Group for settlement of amount due from Dukan. However, the Group has not recognised the amounts in relation to this transaction due to reasons outlined in Note 32.1.

25.3 Related party balances

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

(i) Trade receivables - related parties (Note 15)

	December 31, 2019	December 31, 2018
Dukan	**252,276,504**	199,922,133
ADGHC	**21,029,131**	-
GPIL	-	257,845
NSCL	**10,442**	630,943
APSL	**2,678**	-
	273,318,755	200,810,921

(All amounts in Saudi Riyals unless otherwise stated)

25 Related party transactions and balances (continued)

25.3 Related party balances (continued)

(ii) Trade payables - related party (Note 22)

	December 31, 2019	December 31, 2018
ADGHC	-	61,161

(iii) Due to a related party

	December 31, 2019	December 31, 2018
ADGHC	-	77,178,852

26 Zakat matters

26.1 Components of zakat base

The Company and its subsidiaries registered in Kingdom of Saudi Arabia file zakat declarations on consolidated basis. The significant components of the zakat base of the group 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.

26.2 Movement in provision for zakat

	December 31, 2019	December 31, 2018
Opening balance	**11,473,575**	7,390,229
Provision for the year	**7,979,042**	7,322,809
Payment	**(11,460,866)**	(3,239,463)
Closing balance	**7,991,751**	11,473,575

26.3 Status of final assessments

The Company finalised its zakat assessments with the GAZT up to 2002. During previous years, the Company received additional zakat assessments 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 appealed against such assessments and reached a settlement with the GAZT during 2019 for Saudi Riyals 6 million. At December 31, 2018, the Company had provided Saudi Riyals 4 million against such additional assessments. Further, the Company entered into an agreement during 2019 with its shareholder namely ADGHC, whereby all liabilities relating to assessments up to the year ended December 31, 2018 will be reimbursed by ADGHC. Accordingly, the additional amount of Saudi Riyal 2 million paid against the above-mentioned settlement was recovered from ADGHC.

Further, the Company has 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 2018. ADC, DHV, and SFPC filed separate zakat returns for the years ended December 31, 2014 to 2018. The assessments for those years have not yet been completed.

Since 2019, the Company has reverted to accruing zakat on a consolidated basis after obtaining approval from GAZT since all subsidiaries are now fully owned by the Company.

(All amounts in Saudi Riyals unless otherwise stated)

27 Revenue

For the year ended December 31, 2019	Food and agriculture			Construction of poultry farms	Total
	Kingdom of Saudi Arabia	United Arab Emirates	Other GCC countries	Kingdom of Saudi Arabia	
Revenue from external customers					
Timing of revenue recognition					
At a point in time	**941,909,561**	**63,355,713**	**133,229,056**	**-**	**1,138,494,330**
Over time	**-**	**-**	**-**	**7,160,930**	**7,160,930**
	941,909,561	**63,355,713**	**133,229,056**	**7,160,930**	**1,145,655,260**

For the year ended December 31, 2018	Food and agriculture			Construction of poultry farms	Total
	Kingdom of Saudi Arabia	United Arab Emirates	Other GCC countries	Kingdom of Saudi Arabia	
Revenue from external customers					
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

The revenue from top five customers in the food and agriculture stream represents 33% of the Group's revenues (2018: 23%).

28 Cost of sales

	Note	For the year ended December 31, 2019	For the year ended December 31, 2018
Materials consumed		**526,231,026**	559,049,460
Employee related costs		**182,227,739**	144,728,192
Transport and travel		**39,356,535**	36,939,561
Depreciation on right-of-use assets	9	**36,137,655**	-
Utilities		**29,701,817**	26,577,500
Depreciation on property, plant and equipment	8	**17,140,922**	17,072,039
Repairs and maintenance		**12,836,048**	11,605,507
Rent		**8,280,383**	40,943,707
Insurance		**2,212,705**	1,690,642
Amortisation		**188,730**	200,559
Other		**13,291,065**	10,447,481
		867,604,625	849,254,648

(All amounts in Saudi Riyals unless otherwise stated)

29 Selling and distribution expenses

	Note	For the year ended December 31, 2019	December 31, 2018
Employee related costs		**49,110,700**	42,735,628
Transport and travel		**25,765,526**	30,038,579
Depreciation on right-of-use assets	9	**9,523,643**	-
Sales commission		**9,499,263**	6,822,955
Advertising and sales promotion		**5,709,094**	2,336,565
Rent		**4,445,926**	7,990,329
Utilities		**2,533,177**	1,753,496
Depreciation on property, plant and equipment	8	**1,494,236**	1,358,539
Insurance		**1,512,765**	1,509,774
Repairs and maintenance		**1,190,063**	1,039,493
Other		**9,120,671**	6,057,261
		119,905,064	101,642,619

30 General and administrative expenses

	Note	For the year ended December 31, 2019	December 31, 2018
Employee related costs		**43,441,462**	40,749,228
Professional fees		**2,662,350**	3,181,964
Transport and travel		**1,973,308**	2,277,872
Depreciation on right-of-use assets	9	**1,725,676**	-
IT infrastructure cost		**860,484**	891,191
Utilities		**715,488**	648,310
Amortisation		**384,543**	610,712
Depreciation on property, plant and equipment	8	**259,339**	218,246
Other		**3,833,321**	4,218,908
Expenses recharged to an affiliate	25.2	**(2,640,549)**	(7,157,058)
		53,215,422	45,639,373

31 Finance costs, net

	Note	For the year ended December 31, 2019	December 31, 2018
Interest on short-term borrowings		**14,722,460**	13,225,743
Interest on lease liabilities	9	**11,610,910**	-
Other		**2,086,079**	1,548,547
Charge to an affiliate	25.2	**-**	(3,407,336)
		28,419,449	11,366,954

32 Commitments

32.1 Commitments

- The capital expenditure contracted by the Group but not incurred until December 31, 2019 was approximately Saudi Riyals 23.6 million (December 31, 2018: Saudi Riyals 0.2 million).
- The bank issued guarantees on behalf of the Group amounting to Saudi Riyals 5.8 million (December 31, 2018: Saudi Riyals 21.6 million). The Group also has letters of credit issued on its behalf in the normal course of business amounting to Saudi Riyals 45.2 at December 31, 2019 (December 31, 2018: Saudi Riyals 33.4 million).

(All amounts in Saudi Riyals unless otherwise stated)

32 Commitments (continued)

32.1 Commitments (continued)

Restatement of prior year financial statements

At December 31, 2018, the Group had provided joint collaterals (cross-corporate financial guarantees) of Saudi Riyals 327 million to a certain bank against various credit facilities obtained by ADGHC and other ADGHC group companies. On December 24, 2019, the bank revoked financial guarantees with retrospective effect from the date of inception of such collaterals.

Pledge of cash against loan taken by ADGHC

During 2019, ADGHC obtained a loan of Saudi Riyals 275 million from a local commercial bank (the “lender”). The purpose of the loan was to settle the intercompany balance between the Group and Dukan and to provide equity bridge finance to the Group before the Group’s Initial Public Offering (IPO). The proceeds of the loan were transferred to the Group and this amount was placed in an Escrow account in the name of the Group to secure the loan obtained by ADGHC. The Group provided an irrevocable undertaking allowing the lender to offset the amount in the Escrow account against the loan obtained by ADGHC if the IPO was not completed by April 30,2020. This effectively means that the proceeds of the loan were kept as a pledge to secure the loan obtained by ADGHC.

Although, the loan agreement between ADGHC and the lender states that the amount of Saudi Riyals 275 million was supposed to be used to settle the amount due from Dukan, this amount was placed in an Escrow account and the Group has no access to this Escrow account and the amount there in cannot be used by the Group to finance its operations. Consequently, the Group does not have the right to any economic benefit from this amount and accordingly, the Group has not recognised the amount received or the related liability resulting from the pledge. The Group has continued to recognise the receivable from Dukan in its financial statements.

32.2 Operating leases

Prior to January 1, 2019, the Group entered into operating leases for its farms and office premises. From January 1, 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

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

	December 31, 2019	**December 31, 2018**
Within in one year	-	42,127,518
After one year but not more than five years	-	112,055,223
More than five years	-	32,781,819
	-	186,964,560

32.3 Short-term leases

The short-term lease commitments as of December 31, 2019 amount to Saudi Riyals 1.2 million.

33 Financial Instruments

33.1 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 categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

(All amounts in Saudi Riyals unless otherwise stated)

33 Financial Instruments (continued)

33.1 Fair value measurement of financial instruments (continued)

- 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).

b) Fair value hierarchy

	December 31, 2019					
	FVOCI	**Amortised cost**	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets						
Unlisted equity securities	**773,983**	**-**	**773,983**	**-**	**-**	**773,983**
Trade receivables	**-**	**430,629,905**	**430,629,905**	**-**	**-**	**-**
Cash at banks	**-**	**19,517,303**	**19,517,303**	**-**	**-**	**-**
Government subsidy, employee and other receivables	**-**	**26,311,512**	**26,311,512**	**-**	**-**	**-**
Total financial assets	**773,983**	**476,458,720**	**477,232,703**	**-**	**-**	**773,983**

	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 receivables	-	30,939,754	30,939,754	-	-	-
Total financial assets	48,473,983	400,503,043	448,977,026	47,700,000	-	773,983

Financial assets at 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.

All financial liabilities as of December 31, 2019 and December 31, 2018 are measured at amortised cost. The carrying values of the financial liabilities under amortised cost approximate their fair values.

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

As disclosed in Note 24 above, the fair value on initial recognition of financial guarantees issued on behalf of ADGHC and other group companies is immaterial based on the expectation that it is more likely than not that no amount will be payable by the Group under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee, which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed, suffer credit losses.

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.

(All amounts in Saudi Riyals unless otherwise stated)

33 Financial Instruments (continued)

33.1 Fair value measurement of financial instruments (continued)

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

	December 31, 2019	December 31, 2018
Opening balance	**773,983**	9,504,205
Gains recognised in other comprehensive income	**-**	82,278
Disposals	**-**	(8,812,500)
Closing balance	**773,983**	773,983

e) Valuation process

The finance department of the Group includes a team that performs the valuations of financial instruments 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 based on as follows:

- earnings growth factor for unlisted equity securities are based on the actual growth rate of the investee till the date of its disposal.
- probability adjusted cash outflows for financial guarantee contracts based on the 'price' that the issuer would demand for accepting the guarantee obligation. This valuation approach is for the determination of the financial guarantees on initial recognition. Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk grading determined by management.

33.2 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 and financial guarantee contracts.

(All amounts in Saudi Riyals unless otherwise stated)

33 Financial Instruments (continued)

33.2 Risk management framework (continued)

a) Credit risk (continued)

- 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 customers, taking into account their 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. Refer to Note 15 for concentration of credit risk on trade receivables. Further as of December 31, 2018 there was also a concentration of credit risk to local banks in respect of the financial guarantees amounting to Saudi Riyals 372 million provided to these banks.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a trade receivable occurs 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 the consolidated statement of comprehensive income**.**

- Financial guarantee contracts

The exposure of financial guarantees of Saudi Riyals 372 million as of December 31, 2018 was to one local bank which was also the maximum exposure to credit risk as at December 31, 2018. These financial guarantees were revoked on December 24, 2019. The Group’s maximum exposure in respect of financial guarantees is the maximum amount the Group could have to pay if the guarantee is called on. The exposure includes the amount drawn down as at the reporting date.

• Impairment of financial assets and financial guarantee contracts

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

	December 31, 2019	**December 31, 2018**
Cash at banks	**19,517,303**	18,508,284
Trade receivables – third parties	**165,070,878**	161,908,611
Trade receivables – related parties	**273,318,755**	200,810,921
Contract asset	**1,599,947**	276,557
Government subsidy, employee and other receivables (included within prepayments and other receivables)	**26,311,512**	30,939,754
	485,818,395	412,444,127

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 and other receivables are considered to have low credit risk; therefore, 12 months expected loss model was used for impairment assessment. Based on management’s impairment assessment, there is no provision required in respect of these balances for all the years presented.

For trade receivables, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables based on a provision matrix. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The provision matrix takes into account historical credit loss experience and is adjusted for average historical recovery rates. The historical loss rates are also considered 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 macro-economic factors of forward looking information that would impact the credit risk of the customers, however since these macro-economic factors indicate a positive outlook, the Group has not incorporated the impact of such factors in its provision matrix.

(All amounts in Saudi Riyals unless otherwise stated)

33 Financial Instruments (continued)

33.2 Risk management framework (continued)

a) Credit risk (continued)

The trade receivables balance from the related parties are from the affiliates of the Group having the same ultimate shareholder. Based on management's 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.

Further, for financial guarantee contracts management has used the full IFRS 9 ECL model to determine the expected credit loss on financial guarantee contracts and based on management's assessment, there is no increase in the credit risk of ADGHC and other group companies against which the Group has provided financial guarantees. This assessment is based on the financial position of the beneficiary companies as well as the economic outlook of the industries in which these entities operate. Accordingly, no loss allowance has been booked in respect of financial guarantee contracts issued to banks on behalf of the above mentioned related parties as these parties have low credit risk.

The key assumptions used to determine the fair value of the financial guarantees are probability of default ("PD") and loss at default ("LD"). The PD and LD reflect management's estimates based on specific risks relating to the Group companies for whom such guarantees are given and the industries in which they operate and management's assessment of the past performance and future expectations of these Group companies.

Impairment losses on financial assets recognised in the consolidated statement of comprehensive income are as follows:

	For the year ended	
	December 31, 2019	**December 31, 2018**
Impairment loss on trade receivables	**998,308**	2,117,792

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

December 31, 2019	**Weighted average loss rate**	**Gross carrying amount**	**Loss allowance**
Current (not past due)	**0.06%**	**98,936,637**	**60,784**
1–90 days past due	**0.11%**	**48,602,253**	**52,397**
90–180 days past due	**0.54%**	**2,541,532**	**13,792**
180–270 days past due	**1.59%**	**1,837,466**	**29,219**
270–360 days past due	**1.89%**	**1,831,390**	**34,552**
More than 360 days past due	**30.43%**	**5,394,028**	**1,641,412**
Specific provision	**100.00%**	**5,927,572**	**5,927,572**
	4.70%	**165,070,878**	**7,759,728**

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

As explained above, the amount of loss allowance at December 31, 2019 and December 31, 2018 resulting from financial guarantee contracts is not material; therefore, no loss allowance was recognised in the statement of comprehensive income for such contracts.

(All amounts in Saudi Riyals unless otherwise stated)

33 Financial Instruments (continued)

33.2 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 (including financial guarantees), bank overdraft or reliance on a particular market in which to realise liquid assets.

	Within 3 months	**3 to 12 months**	**More than 12 months**	**Total**
December 31, 2019				
Borrowings	**322,898,703**	**-**	**-**	**322,898,703**
Trade payables	**-**	**139,501,770**	**-**	**139,501,770**
Lease liabilities	**32,166,605**	**23,662,669**	**405,618,858**	**461,448,132**
Accrued and other liabilities	**-**	**65,536,020**	**-**	**65,536,020**
	355,065,308	**228,700,459**	**405,618,858**	**989,384,625**

	Within 3 months	**3 to 12 months**	**More than 12 months**	**Total**
December 31, 2018 (Restated)				
Financial guarantee contracts	327,000,000	-	-	327,000,000
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
	612,765,548	296,883,581	-	909,649,129

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. Refer to Note 21 for unused credit facilities. The Group's terms of sales require amounts to be paid either on a cash on delivery or on a terms basis.

Commitments pertaining to financial guarantees – Restatement of prior year financial statements

The liquidity table as at December 31, 2018 has been restated to include the cash out flow relating to the financial guarantee contract which was not disclosed in the Group's annual consolidated financial statements for the year ended December 31, 2018.

The amounts included in the above 2018 table for financial guarantee contracts are the maximum amount the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee (see Note 32.1). Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee, which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed, suffer credit losses. The contractual maturity is based on the earliest date on which the Group may be required to pay. On December 24, 2019, the bank revoked financial guarantees with retrospective effect from the date of inception.

33 Financial Instruments (continued)

33.2 Risk management framework (continued)

b) 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 returns. 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 recognised assets and liabilities are denominated in currency that is 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 Dollars. 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 to which the Saudi Riyals is not pegged is not material to these consolidated financial statements.

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, 2019	**December 31, 2018**
Financial liabilities, principally borrowings	**318,322,813**	279,991,302

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 on the Group's profit before tax, through the impact of floating rate borrowings:

	For the year ended	
	December 31, 2019	**December 31, 2018**
Interest rate-increases by 100 basis points	**(2,841,945)**	(1,136,695)
Interest rate-decreases by 100 basis points	**2,841,945**	1,136,695

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 does not have any financial instruments that are subject to price risk.

(All amounts in Saudi Riyals unless otherwise stated)

33 Financial Instruments (continued)

33.2 Risk management framework (continued)

c) Market risk (continued)

The Group's exposure to equity securities price risk arises from investments held by the Group and classified in the consolidated statement of financial position 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 market price of share on the Group's equity. The analysis is based on the assumption that the market price of share had increased or decreased by 5% with all other variables held constant, and that all the Group's equity instruments moved in line with the market price.

	Impact on OCI	
	December 31, 2019	**December 31, 2018**
Market price of share – increases by 5%	-	2,385,000
Market price of share – decreases by 5%	-	(2,385,000)

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 maximise shareholders' value. The capital structure includes all components of equity totalling Saudi Riyals 286.9 million at December 31, 2019 (December 31, 2018: Saudi Riyals 178.3 million). The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company and its subsidiaries monitor capital on the basis of the gearing ratio. This ratio is calculated based on the net debt divided by total capital.

	December 31, 2019	**December 31, 2018**
Borrowings	**318,322,813**	281,959,100
Lease liabilities	**184,713,253**	-
Due to a related party	-	77,178,852
Less: cash and cash equivalents	**(23,918,830)**	(22,770,507)
Net debt (A)	**479,117,236**	336,367,445
Shareholders' equity (B)	**286,890,851**	178,265,083
Total capital (A+B)	**766,008,087**	514,632,528
Gearing ratio (A / (A+B))	**63%**	65%

e) Financial risk management strategies for biological assets

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

i.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.

ii.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.

(All amounts in Saudi Riyals unless otherwise stated)

34 Earnings per share

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

	December 31, 2019	**December 31, 2018**
Net profit attributable to owners of the Company	**70,822,956**	74,897,529
Weighted average number of shares	**18,333,333**	15,000,000
Basic / diluted earnings per share (Saudi Riyals per share)	**3.86**	4.99

During the year ended December 31, 2019, the shares of the Company were split in the ratio of 100-for-1 resulting in the number of issued shares increasing from 100,000 to 10,000,000. Subsequently, the Company increased its share capital by Saudi Riyals 100 million resulting in increase in issued shares to 20,000,000. See Note 18 for further details. Consequently, the increased capital is used for computing the earnings per share for the comparative year ended December 31, 2018 as well.

35 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.
- Retail - includes convenience stores operations.

	December 31, 2019		
	Kingdom of Saudi Arabia	**United Arab Emirates**	**Total**
Property, plant and equipment	**93,504,152**	**45,048,447**	**138,552,599**
Right-of-use assets	**171,471,866**	**16,277,340**	**187,749,206**
Intangible assets	**1,139,812**	**242,344**	**1,382,156**
Financial assets at FVOCI	**773,983**	**-**	**773,983**

	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 27 for the concentration of customers and revenue generated within Kingdom of Saudi Arabia and outside the Kingdom of Saudi Arabia for the years ended December 31, 2019 and 2018.

36 Cash flow information

(a) Net debt

	December 31, 2019	**December 31, 2018**
Cash and cash equivalents	**23,918,830**	20,381,882
Lease liabilities	**(184,713,253)**	-
Borrowings - repayable within one year	**(315,603,679)**	(277,602,677)
Net debt	**(476,398,102)**	(257,220,795)

Borrowings of the Group carry variable interest rates.

(All amounts in Saudi Riyals unless otherwise stated)

36 Cash flow information (continued)

(b) Net debt reconciliation

	Cash and cash equivalents	**Borrowings - repayable within one year**	**Leases**	**Total**
January 1, 2018	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)
Recognised due to adoption of IFRS 16	**-**	**-**	**(212,781,050)**	**(212,781,050)**
Acquisition of Leases	**-**	**-**	**(26,434,237)**	**(26,434,237)**
Interest on lease liabilities	**-**	**-**	**(11,610,910)**	**(11,610,910)**
Cash flows	**3,536,948**	**(38,001,002)**	**66,112,944**	**31,648,890**
December 31, 2019	**23,918,830**	**(315,603,679)**	**(184,713,253)**	**(476,398,102)**

37 Approval of financial statements

These consolidated financial statements of the year ended December 31, 2019 were approved for issue by the Board of directors of the Group on April 26, 2020.

38 Post balance sheet events

The existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and then in the Middle East, causing disruptions to businesses and economic activity. The Group considers this outbreak to be a non-adjusting post balance sheet event.

The potential impact of the coronavirus outbreak on the Group's trading performance and supply continuity remains uncertain. Up to the date of issuance of these consolidated financial statements, the outbreak has not had a material impact on the trading results of the Group. However, the Group continues to monitor the situation closely, including the potential impacts on trading results, supply continuity and employees. The situation could change at any time and there can be no assurance that the coronavirus outbreak will not have a material adverse impact on the future results of the Group.

The impact of this outbreak on the macroeconomic forecasts will be incorporated into the Group's IFRS9 estimates of expected credit loss provisions in 2020.